

# EGGRICULTURE FOODS LTD.

## 永續農業發展有限公司

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

**(Stock Code: 8609)**

(the “Company”)

### **TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

*(Adopted by the Company on 15 August 2018 and revised on 31 December 2018)*

#### **I. CONSTITUTION**

1. The board (the “**Board**”) of directors (the “**Directors**”) of Eggriculture Foods Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) has resolved to establish a committee of the Board known as the audit committee (the “**Committee**”) with the authority, responsibility and specific duties as described below.

#### **II. MEMBERSHIP**

2. The members of the Committee shall be appointed by the Board from time to time from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom should be independent non-executive Directors (the “**INEDs**”).
3. At least one member of the Committee shall have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).
4. 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 two years from the date of the person ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm, whichever is later.

#### **III. CHAIRMAN**

5. The chairman (the “**Chairman**”) of the Committee shall be an INED who is a member of the Committee appointed by the Board.

#### **IV. ATTENDANCE AT MEETINGS**

6. The quorum for meetings of the Committee shall be any two members (at least one of whom shall be an INED).

7. The Director and/or management staff of the Company in charge of finance and accounting functions, the head of internal audit (if applicable), and a representative of the external auditor(s) shall normally attend meetings of the Committee. However, at least once a year the Committee shall meet with the external and internal auditors separately without executive Directors or management being present. Any member should not appoint any person by himself as his alternate to attend the meeting or perform his duty.

#### **V. SECRETARY**

8. The company secretary of the Company (the “**Company Secretary**”) shall be the secretary of the Committee. In the absence of the Company Secretary, his/her duly appointed delegate(s) or any person elected by the members present at the meeting of the Committee, shall attend the meeting of the Committee and take minutes.

#### **VI. FREQUENCY AND PROCEDURE OF MEETINGS**

9. The meetings are governed by the provisions contained in the Company’s articles of association for regulating the meeting and proceedings of Directors.
10. Meetings shall be held not less than four times a year. The Chairman shall convene a meeting upon request by any member of the Committee. The external auditor(s) may request a meeting if they consider that one is necessary.

#### **VII. NOTICE OF MEETINGS**

11. An agenda and accompanying board papers should be sent in full to all Directors in a timely manner and at least 3 days before the intended date of a meeting of the Committee (or other agreed period).
12. Senior management should be responsible for providing sufficient information to the Board and the Committee in a timely manner to facilitate the making of informed decisions. The information supplied must be complete and reliable. Where more detailed and complete information is requested from the senior management, the respective Director shall make further inquiries if required. The Board or individual Director(s) could contact the senior management individually and independently.

#### **VIII. ANNUAL GENERAL MEETINGS**

13. The Chairman shall attend the Company’s annual general meetings and be prepared to respond to any shareholders’ questions on the Committee’s activities.
14. If the Chairman is unable to attend an annual general meeting of the Company, he shall arrange for another member of the Committee, or failing this, his duly appointed delegate, to attend in his place. Such person shall be prepared to respond to any shareholders’ questions on the Committee’s activities.

## **IX. AUTHORITY**

15. The Committee is authorised by the Board to perform any activity within these terms. It is authorised to seek any financial information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Committee.
16. The Committee is authorised by the Board to obtain, at the Company's expense, external independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external auditor(s) who advises the Committee.
17. The Committee shall be provided with sufficient resources to perform its duties.
18. The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of any laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

## **X. DUTIES**

19. The duties of the Committee shall include:

### **Relationship with the Company's external auditor(s)**

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor(s), and to approve the remuneration and terms of engagement of the external auditor(s), and to consider any questions of 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;
- (c) to develop and implement policy on engaging an external auditor(s) 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;
- (d) to discuss with the external auditor(s) before the audit commences, the nature and scope of the audit and reporting obligations, and ensure proper coordination where more than one audit firm is involved;

- (e) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor(s) may wish to discuss (in the absence of senior management where necessary);
- (f) to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

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

- (g) to review and monitor the integrity of the Company's financial statements, annual reports and accounts, half-year reports and quarterly reports, 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:
  - (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 GEM Listing Rules and legal requirements in relation to financial reporting;
- (h) Regarding (g) 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 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;

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

- (i) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or the board itself, to review the Company's internal control and risk management systems;

- (j) 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;
- (k) to consider major investigation findings on internal control matters and risk management matters as delegated by the Board or on its own initiative and management's response to these findings;
- (l) where an internal audit function exists, to ensure co-ordination between the internal and external auditor(s), 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;
- (m) to review the Group's financial and accounting policies and practices;
- (n) to review the external auditor's management letter, any material queries raised by the auditor(s) to management about accounting records, financial accounts or systems of control and management's response;
- (o) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (p) to report to the Board on the matters in these terms of reference;
- (q) to review arrangements by which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control, risk management system 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;
- (r) to act as the key representative body for overseeing the Company's relations with the external auditor(s);
- (s) establishing a whistleblowing policy and system for employees and those who deal with the Group (e.g. customer and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Group; and
- (t) to consider other topics, as defined by the Board.

## **XI. DISAGREEMENT AS TO EXTERNAL AUDITOR(S)**

20. In the event the Board disagrees with the Committee on the selection, appointment, resignation or dismissal of the external auditor(s), the Committee shall provide a statement explaining its recommendations to the Company and also the reason(s) why the Board has taken a different view for inclusion in the corporate governance report issued by the Company in accordance with Appendix 15 of the GEM Listing Rules.

## **XII. REPORTING PROCEDURES**

21. Full minutes of the Committee's meetings should be properly kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary or a duly appointed representative). The minutes shall be available for inspection at any reasonable time on reasonable notice by any Director. Minutes of meetings of the Committee should record in sufficient detail the matters considered by the Committee and decisions reached, including any concerns raised by the Directors, members of the Committee or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.
22. Without prejudice to the generality of the duties of the Committee set out herein, the Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on it to do so.
23. The Committee should evaluate its own performance, these terms and its membership annually to ensure it is performing its duties effectively, and recommend to the Board any changes it considers necessary.

## **XIII. PUBLICATION OF THE TERMS OF REFERENCE**

24. The Committee shall make available these terms by publishing them on the websites of the Company and The Stock Exchange of Hong Kong Limited.

## **XIV. INTERPRETATION AND AMENDMENTS**

25. The power of interpretation of these terms of reference shall be vested in the Board.
26. The Board may amend these terms of reference from time to time.

*(If there is any inconsistency between the English version and the Chinese version, the English version shall prevail.)*