

DEKON FOOD AND AGRICULTURE GROUP TERMS OF REFERENCE FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Chapter I General

Article 1 In order to regulate and enhance the decision-making mechanism of the board of Directors (the “**Board**”) of Dekon Food and Agriculture Group (the “**Company**”), ensure an effective supervision by the Board on the management of the Company, and improve the corporate governance structure of the Company, the Company has established the audit committee (the “**Committee**”) of the Board and formulated these terms of reference in accordance with local and overseas laws and regulations for listed companies, including the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Guidelines for the Articles of Association of Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), A Guide for Effective Audit Committees published by Hong Kong Institute of Certified Public Accountants and the Articles of Association of Dekon Food and Agriculture Group (the “**Articles of Association**”).

Article 2 The Committee is a dedicated body established by the Board pursuant to the Articles of Association and shall, within its authorities, assist the Board in carrying out relevant work. The main duties of the Committee are to supervise, review, and evaluate the internal control, financial reporting, and internal audit of the Company and to deal with the external auditors of the Company. The Committee shall be accountable to the Board.

Chapter II Composition

Article 3 The Committee shall consist of at least three Directors, all of whom shall be non-executive Directors, and at least one of them shall be an independent non-executive Director with appropriate professional qualifications or appropriate accounting or related financial management expertise. More than half of the members of the Committee shall be independent non-executive Directors.

Article 4 The members and the chairman of the Committee shall be nominated by the chairman of the Board, more than half of the independent non-executive Directors, or more than one-third of all the Directors for election by the Board.

Article 5 The Committee shall have a chairman who shall be an independent non-executive Director and responsible for presiding over the work of the Committee.

Article 6 The term of office of the members of the Committee shall be consistent with that of the Directors of the same session. A member of the Committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. If a member ceases to be a Director of the Company or a member who should have a status of an independent non-executive Director no longer possesses the independence as stipulated in the Articles of Association during his/her term of office, his/her membership in the Committee shall lapse automatically, and the vacancy shall be filled up by the Board in accordance with Articles 3 to 5 above.

Article 7 The Committee shall have a working group as the working body of the Committee to deal with daily work, liaison and organisation of Committee meetings. The Committee shall formally appoint a secretary for its meetings.

Chapter III Duties and Authority

Article 8 The members of the Committee shall possess knowledge, experience, and skills necessary for the performance of the duties of the Committee. The principal duties and authority of the members are as follows:

(I) Relationship with the Company's external auditor firm

1. to make recommendations on the appointment, re-appointment or removal of the external auditor firm, to approve the remuneration and terms of engagement of the external auditor firm, and to handle any issues relating to the resignation or removal of the external auditor firm;
2. to review and monitor the independence and objectivity of the external auditor firm and the effectiveness of the audit process in accordance with applicable standards; the Committee should discuss the nature and scope of the audit and the reporting obligations with the auditor before the audit commences;
3. to formulate and implement policies on engaging an external auditor firm to provide non-audit services. For the purpose of this provision, an external auditor firm includes any entity that is under the common control, ownership, or management as the company responsible for the audit or any entity that a reasonably informed third party knowing all relevant information would reasonably conclude to be part of the external auditor locally or internationally. The Committee shall report and make recommendations to the Board on any matters where action or improvement is needed;
4. to act as the representative between the Company and the external auditor firm and to be responsible for supervising the relationship between the two;

(II) Reviewing the Company's financial information

1. to review the financial information of the Company and its disclosure;
2. to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report, and quarterly report (if any), and to review the significant judgements on financial reporting contained in financial statements and financial reports; to supervise the annual audit work, to make judgements on the authenticity, accuracy, and completeness of the information in the audited financial report, and to submit the statements and the report with the views of the Committee to the Board for consideration;

Before submitting the relevant statements and reports to the Board, the Committee should, in particular, review the followings:

- (1) any change in accounting policies and practices;
- (2) major judgmental areas;
- (3) significant adjustments arising from the audit;
- (4) the going concern assumptions and any qualifications;
- (5) compliance with accounting standards;
- (6) compliance with the relevant financial reporting, legal requirements, and the relevant requirements under the Hong Kong Listing Rules.

The Committee shall maintain communication with the Board and senior management on the foregoing matters. The Committee shall meet with the external auditor firm at least twice a year. The Committee shall pay attention to any significant or unusual matters that are, or need to be, reflected in the relevant reports and accounts, and shall give due consideration to any matters raised by the Company's accounting and financial reporting staff, compliance officers, or the external auditor;

- (III) Overseeing the Company's financial reporting system, risk management, and auditing and evaluating the Company's internal control, including:
1. to review and evaluate the Company's financial controls, risk management, and internal audit systems;
 2. to discuss the risk management and internal control systems with the management to ensure that the management has established an effective internal control system. The discussion should cover the adequacy of resources, experience and qualifications of staff, training for the staff and the relevant budget in accounting and financial reporting of the Company;
 3. on its own initiative or as delegated by the Board, to consider major investigation findings on risk management and internal control matters and feedback of management to such findings;
 4. to organize and carry out audit work on various special aspects; to be responsible for the liaison between the internal audit department and the external auditor firm so as to ensure coordination of their work; to ensure that the internal audit department is adequately resourced and has appropriate standing within the Company; and to review and monitor its effectiveness;

5. to review the financial and accounting policies and practices of the Company and its subsidiaries;
6. to review the Letter of Explanation of Audit Matters submitted to the management by the external auditor firm, any major queries with respect to the accounting records, financial accounts, or monitoring system raised to the management by the external auditor firm, and the responses given thereto by the management;
7. to ensure that the Board timely gives response to the issues raised by the external auditor firm in its Letter of Explanation of Audit Matters;
8. to review the following arrangements set by the Company: employees of the Company may raise concerns about possible improprieties in financial reporting, internal control, or other matters. The Committee shall ensure that appropriate arrangements are in place for the Company to conduct a fair and independent investigation of such matters and to take appropriate action;
9. to provide opinions and suggestions on assessment and change of the Company's internal audit department head;
10. to regularly convene meetings to review the work plans and reports submitted by the internal audit department; to report regularly to the Board on matters including but not limited to the progress and quality of the internal audit work and major issues identified;

(IV) Others

1. other duties as stipulated in the Articles of Association;
2. other relevant matters authorised by the Board.

The Committee may report to the Board and make proposals on matters within the scope of its duties and authority as described above.

Article 9 The Committee shall be accountable to the Board. The proposals of the Committee shall be submitted to the Board for consideration and decision. The Committee shall cooperate with the board of Supervisors on audit activities.

The Committee shall study the topics as defined by the Board and provide all research and discussion, materials, and information to the Board in the form of reports, recommendations and conclusions for the Board's consideration and decision.

Chapter IV Decision-making Procedures

Article 10 The working group of the Committee shall be responsible for the preparation for the decision-making of the Committee and provide written information on the relevant aspects of the Company:

- (I) the Company's financial reports;
- (II) work reports of internal and external auditor firms;
- (III) internal control system of the Company;
- (IV) other relevant matters.

Article 11 The Committee shall comment on the following matters provided by the Company and submit relevant written resolution materials to the Board for discussion:

- (I) whether the financial report of the Company is objective and true;
- (II) performance evaluation of the external auditor firm, and the appointment and change of the external auditor firm;
- (III) whether the internal audit system of the Company is effectively implemented;
- (IV) other relevant matters.

Chapter V Rules of Procedures

Article 12 The Committee shall convene at least two meetings each year and notify all members three days in advance of the meetings. A meeting shall be convened and presided over by the chairman. If the chairman is unable to attend the meeting, he/she may entrust another member (who shall be an independent non-executive Director) to convene and preside over the meeting.

Article 13 A meeting of the Committee must be attended by more than two-thirds of the members (including the members who have entrusted other members to attend the meeting in writing); each member shall have one vote. A resolution of the meeting shall be passed by more than half of the members.

Article 14 Voting at meetings of the Committee shall be taken by a show of hands or by written votes; an extraordinary meeting may be held by communication voting.

Article 15 The Committee may invite other Directors, supervisors, senior management, and other relevant personnel of the Company to attend the meeting as appropriate.

Article 16 The Committee may, when necessary, engage an intermediary to provide professional advice for its decision-making, and any reasonable expenses so incurred shall be borne by the Company.

Article 17 The procedures for convening meetings, voting and passing of resolutions of a meeting of the Committee shall comply with the relevant laws, regulations, the Hong Kong Listing Rules, the Articles of Association, and these terms of reference.

Article 18 The Committee shall keep meeting minutes. The draft and the final versions of the minutes shall be sent to all members of the Committee within a reasonable time after the conclusion of such meeting with the draft version to be used for the expression of opinions by the members and the final version to be used as a record. The members attending the meeting shall sign the final version of the meeting minutes and the meeting minutes shall be kept by the company secretary.

Article 19 The results or comments agreed upon at the meetings of the Committee shall be reported to the Board in writing for decision-making.

Article 20 All members present at a meeting are obliged to keep confidential the matters discussed at the meeting and shall not disclose relevant information without authorisation.

Chapter VI Supplementary Provisions

Article 21 Unless otherwise specified, the terms used herein shall have the same meaning ascribed thereto under the Articles of Association. These terms of reference are written in Chinese. If there is any inconsistency between the English and Chinese versions of these terms of reference, the Chinese version shall prevail.

Article 22 These terms of reference and any amendment thereto shall come into effect from the date of being approved by the Board.

Article 23 For any matters not covered by these terms of reference or inconsistent with the requirements of the relevant PRC laws, regulations, regulatory documents, the Hong Kong Listing Rules, and the Articles of Association, the relevant PRC laws, regulations, regulatory documents, the Hong Kong Listing Rules, and the Articles of Association shall prevail.

Article 24 These terms of reference shall be formulated, amended and interpreted by the Board.

Dekon Food and Agriculture Group
Board of Directors