



# **CODE AGRICULTURE (HOLDINGS) LIMITED**

## **科地農業控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8153)**

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

#### **Constitution**

1. The Board of Directors of Code Agriculture (Holdings) Limited (the “Company”) (the “Board”) hereby constitutes and establishes a Committee of the Board to be known as the Audit Committee with authority and duties as described below.

#### **Membership**

2. The Audit Committee members (the “members”) shall be appointed by the Board and consist of not less than three (3) members.
3. The majority of the members shall be independent non-executive directors of the Company, at least one (1) of whom with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).
4. The chairman of the Audit Committee shall be appointed by the Board who must be an independent non-executive director of the Board.
5. In the event that the Audit Committee comprises a non-executive Director who is former partner of the Company’s existing auditing firm, such non-executive Director shall be prohibited from acting as a member of the Audit Committee for a period of one (1) year commencing on the later of (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm.

### **Frequency and proceedings of meetings**

6. The Audit Committee shall meet at least four (4) times a year. Additional meetings shall be held as the work of the Audit Committee demands.
7. Notice of any Audit Committee meetings has to be given five (5) days prior to any such meeting being held, unless all members unanimously waive such notice.
8. The quorum for meetings of the Audit Committee shall be two (2) members.
9. Only members have the right to vote at the Audit Committee meetings. Resolutions of the Audit Committee shall be passed by a majority of votes which could also be passed by way of unanimous written resolutions.
10. The Audit Committee meeting can be held in person, by telephone or by video conference.

### **Attendance**

11. The Chairman of the Audit Committee may request that members of management and representatives of the external auditors be present at meetings of the Audit committee.

### **Authority**

12. The Audit Committee is authorized by the Board:
  - (a) to inspect all accounts, books and records of the Company
  - (b) to seek any relevant information it requires from senior management of the Company to perform its duties;
  - (c) to obtain, at the Company's expenses, independent professional advice or to secure assistance from external parties with relevant experience and expertise where it considers necessary.

### **Duties**

13. The Audit Committee shall have the following duties:
  - A. Relationship with the Company's external auditor
    - (a) to make recommendations to the Board on the appointment, re-appointment 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 and to discuss with the external 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;

B. 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 quarterly reports and to review any significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:
  - (1) any changes in accounting policies and practices;
  - (2) major judgmental areas;
  - (3) significant adjustments resulting from audit;
  - (4) the going concern assumptions and any qualifications;
  - (5) compliance with accounting standards; and
  - (6) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above: -
  - (1) members should liaise with the Board and senior management of the Company. The Audit committee must meet, at least twice a year, with the Company's external auditors;
  - (2) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and must 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 external auditor.
- (f) The Audit Committee should discuss problems and reservations arising from the interim review and final audits and other matters the auditor may wish to discuss (in the absence of management where necessary).

C. Oversight of the Company's financial reporting system and internal control procedures

- (g) to review the Company's financial controls, internal controls and risk management systems;
- (h) to discuss the internal control system with the management to ensure that management has performed its duty to have an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (i) to consider major findings from investigation on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (j) 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;
- (k) to review the Group's financial and accounting policies and practices;
- (l) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or system of

- control and management's response;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - (n) 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 ensure that proper arrangements are in place for fair and independent investigation of these matters for appropriate follow-up action. The Audit Committee is authorized by the Board to obtain, at the Company's expenses, independent professional advice or to secure assistance from external parties with relevant experience and expertise where it consider necessary for the follow-up action.

D. Whistle-blowing handling

- (o) to review arrangement which employees of the Company can, in confidence raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangement are in place for the fair and independent investigation of these matters and for appropriate follow-up action.

E. Others

- (p) to consider any other matters specifically referred to the Audit Committee by the Board.

**Secretary**

- 14. The Company Secretary or his nominee shall act as the Audit Committee's Secretary.

**Reporting responsibilities and procedures**

- 15. Minutes of the Audit Committee meetings shall be kept by the Audit Committee's Secretary and shall be sent to all members for their comments and records respectively in both cases within a reasonable time after the meeting.
- 16. The Audit Committee's Secretary shall circulate the minutes and reports (if any) of the Audit Committee meetings to all members of the Board.
- 17. The Audit Committee shall report directly to the Board on its decisions and recommendations.

**Availability and Update of the terms of Reference**

- 18. These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements in Hong Kong.

Revised on 26 March 2014.