



國農金融投資有限公司
China Demeter Financial Investments Limited

(“Company”)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8120)

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE
 (“COMMITTEE”) OF THE BOARD OF DIRECTORS (“BOARD”) OF
 THE COMPANY**

1. TERMS OF REFERENCE

1.1 These terms of reference of the Committee was first adopted on 15 December 2011; and amended on 31 December 2015, 31 December 2018 and 17 May 2023.

2. MEMBERSHIP

2.1 Members of the Committee shall be appointed by the Board from amongst the non-executive directors only of the Company and shall consist of not less than three members, a majority of whom shall be independent non-executive directors and at least one of them must have the appropriate professional qualifications or accounting or related financial management expertise as required in rule 5.05(2) of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”).

2.2 The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director.

2.3 The secretary of the Committee shall be appointed by the Board.

2.4 The appointment of the members or secretary of the Committee may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee.

3. PROCEEDINGS OF THE COMMITTEE

3.1 Notice:

- (a) Unless otherwise agreed by all the Committee members, a meeting shall be called by at least seven days' notice.
- (b) A Committee member may and, on the request of a Committee member, the secretary to the Committee shall, at any time summon a Committee meeting. Notice shall be given to each Committee member in person orally or in writing or by telephone or by telex or telegram or facsimile transmission at the telephone number or facsimile number or address from time to time notified to the secretary by such Committee member or in such other manner as the Committee members may from time to time determine.
- (c) Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting.
- (d) Notice of meeting shall state the purpose, time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the meeting. In respect of regular meetings of the Committee to be held as mentioned in clause 3.4 below, and so far as practicable in all other meetings of the Committee, the agenda and accompanying papers shall be sent in full to all the members of the Committee in a timely manner and at least 3 days before the intended date of the meeting of the Committee (or such other period as all the Committee members may agree).

3.2 Quorum: The quorum of the Committee meeting shall be two members of the Committee.

3.3 The Finance Director, the Head of Internal Audit (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance.

3.4 Meetings shall be held at least four times a year at approximately quarterly intervals to consider the budget, revised budget, half-yearly report, quarterly report or annual report prepared by the Board. The external auditors may request the Chairman of the Committee to convene a meeting, if they consider that one is necessary.

4. WRITTEN RESOLUTIONS

4.1 Written resolutions may be passed by all Committee members in writing.

5. ALTERNATE COMMITTEE MEMBERS

5.1 A Committee member may not appoint any alternate.

6. AUTHORITY OF THE COMMITTEE

6.1 The Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Company and its subsidiaries (together, the “**Group**”) and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend Committee meetings and to supply information and address the questions raised by the Committee;
- (b) to monitor whether the Group’s management has, in the performance of their duties, infringed any policies set by the Board or any applicable law, regulation and code (including the GEM Listing Rules and other rules and regulations from time to time determined by the Board or a committee thereof);
- (c) to investigate any activity within these terms of reference and all suspected fraudulent acts involving the Group and request the management to make investigation and submit reports;
- (d) to review the Group’s risk management and internal control systems;
- (e) to review the performance of the Group’s employees in the accounting and internal audit department;
- (f) to make recommendations to the Board for the improvement of the Group’s risk management and internal control systems;
- (g) to request the Board to convene a shareholders’ meeting for purposes of revoking the appointment of any director and to dismiss any employees if there is evidence showing that the relevant director and/or employee has failed to discharge his duties properly;
- (h) to request the Board to take all necessary actions, including convening an extraordinary general meeting, to replace and dismiss the auditors of the Group;

- (i) to obtain outside legal or other independent professional advice at the cost of the Company on any matters within these terms of reference as it considers necessary and to secure the attendance of outsiders with relevant experience and expertise at its meetings, if it considers this necessary;
- (j) to commission reports or surveys as are necessary to assist in the performance of its duties at the cost of the Company;
- (k) to have access to sufficient resources in order to perform its duties;
- (l) where there is any disagreement between the Committee and the Board on the selection, appointment, resignation or dismissal of the external auditors which cannot be resolved, to report its own recommendation on such matters to the shareholders;
- (m) to review annually these terms of reference and their effectiveness in the discharge of its duties and to make recommendation to the Board any changes it considers necessary; and
- (n) to exercise such powers as the Committee may consider necessary and expedient for the proper discharge of their duties under section 7 below.

6.2 The Committee should be provided with sufficient resources to perform its duties.

7. DUTIES

7.1 The duties of the Committee shall be:

Relationship with the Company's auditors

- (a) to be primarily responsible for making recommendation 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;
- (c) to discuss with the auditors the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is engaged before the audit commences;

- (d) 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 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 the Company's financial information

- (e) to monitor the Company's integrity of financial statements and annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them;
- (f) to review the Company's annual report and accounts, half-year report and quarterly report before submission to the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting standards;
 - (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;
 - (vii) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group and whether such connected transactions, if any, have been carried out in accordance with the terms of the agreement governing such transactions;
 - (viii) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions;
 - (ix) any significant or unusual items that are, or may need to be, reflected in such reports and accounts; and

(x) the cashflow position of the Group;

and to provide advice and comments thereon to the Board;

(g) in regards to (f) above:

(i) members of the Committee must liaise with the Board, senior management and the person appointed as the Company's qualified accountant 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 report and accounts, and it should give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors;

(h) to discuss problems and reservations arising from the interim review and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

Oversight of the Company's financial reporting system, risk management and internal control systems

(i) 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;

(j) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an 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 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;

(l) 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;

(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 to management about the accounting records, financial accounts or systems of control and management's response;
- (o) 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. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (p) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (q) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (r) to conduct exit interviews with any director, manager, financial controller or internal credit control manager upon their resignation in order to ascertain the reasons for his departure;
- (s) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;
- (t) to consider the appointment of any person to be a Committee member, auditors and accounting staff either to fill a casual vacancy or as an additional Committee member, auditors and accounting staff or dismissal of any of them;
- (u) to report to the Board on the matters set out in Appendix 15 to the GEM Listing Rules; and
- (v) to consider other matters, as defined or assigned by the Board from time to time.

8. VETO RIGHTS OF THE COMMITTEE

8.1 The Committee has the following veto rights. The Group cannot implement any of the following matters which has been vetoed by the Committee:

- (a) to approve any connected transaction within the meaning of the GEM Listing Rules which requires an independent shareholders' vote (unless the approval of such connected transaction is made conditional on the obtaining of the approval of the independent non-executive directors and the independent shareholders); and

- (b) to employ or dismiss the Group's financial controller or the internal audit manager.

9. REPORTING PROCEDURES

- 9.1 Full minutes of the Committee meetings and all written resolutions of the Committee should be kept by the secretary of the Committee.
- 9.2 The secretary of the Committee shall circulate the draft and final version of minutes of the meetings of the Committee or, as the case may be, written resolutions of the Committee to all members of the Committee for their comments and records respectively within a reasonable time after the meeting or the passing of the written resolutions.
- 9.3 The secretary of the Committee shall keep record of all meetings of the Committee held during each financial year of the Company and records of individual attendance of members of the Committee, on a named basis, at meetings held during that financial year.
- 9.4 The Committee shall provide to the Board all the relevant information necessary to enable the Company to prepare the corporate governance report in its annual report.
- 9.5 The Chairman shall attend (or in his/her absence, appoint another member of the Committee or failing this his/her duly appointed delegate, to attend) the annual general meeting of the Company and be prepared to respond to shareholders' questions on the activities of the Committee.

10. CONTINUING APPLICATION OF THE BYE-LAWS OF THE COMPANY

The bye-laws of the Company regulating the meetings and proceedings of the directors of the Company so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

11. POWERS OF THE BOARD

The Board may, subject to compliance with the bye-laws of the Company and the GEM Listing Rules (including the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules or if adopted by the Company, the Company's own Code of Corporate Governance Practices), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.