

DaChan Food (Asia) Limited

大成食品（亞洲）有限公司

Anti-fraud and Whistleblowing Mechanism System

Chapter I General Provisions

Article 1 In order to prevent fraud, strengthen the governance and internal control of DaChan Food (Asia) Limited (hereinafter referred to as the “Company”), mitigate the Company's risks, standardise operation, safeguard the Company’s legal interests, ensure the realisation of the Company’s business objectives, ensure the Company’s sustainable, stable and healthy development, and protect the legal interests of the shareholders, this system is formulated according to the Company’s business objectives and in accordance with the laws and regulations governing listed companies and provisions and requirements under the stock exchanges and regulatory authorities and taking into account the actual situation of the Company.

Article 2 This system mainly defines: the purpose of anti-fraud work, the concept and forms of fraud; responsibility of anti-fraud; fraud prevention and control; whistleblowing, investigation and reporting of fraud cases; standing anti-fraud organisations and their functions; guidance and supervision of anti-fraud work; remedies and penalties for fraud; scope of application.

Article 3 The purpose of anti-fraud work is to standardise the professional act of the directors, senior and middle management and general staff of the Company, to ensure that they strictly abide by the relevant laws, industrial norms and standards, professional ethics and the Company’s rules and regulations, establish a good culture of probity, diligence and dedication, and prevent any act that compromise the benefits of the Company and shareholders.

Chapter II Concept and Forms of Fraud

Article 4 The term “fraud” as mentioned in this system refers to an act of the Company’s internal or external individuals to seek illegitimate personal benefits via fraud and other illegal and non-compliance means that compromises the legitimate economic benefits of the Company; or an act to seek illegitimate economic benefits of the Company that may bring illegitimate personal benefits at the same time.

Article 5 Fraud that compromises the legitimate economic benefits of the Company refers to an improper act of the Company’s internal or external individuals to seek personal benefits via fraud and other illegal and non-compliance means that compromises the legitimate economic benefits of the Company and the legitimate economic benefits of the shareholders. Any of the following circumstances falls within the scope of such fraudulent acts:

- (I) Accepting bribery or rebate;
- (II) Transferring transactions that would normally make the organisation profitable to others;
- (III) Illegally using Company assets, corrupting, appropriating or stealing Company assets and properties;
- (IV) Making the Company pay for false transactions;
- (V) Intentionally concealing or misreporting transactions;
- (VI) Forging or altering accounting records or evidences;
- (VII) Leaking the Company's business or technical secrets;
- (VIII) Any other frauds that compromise the Company's economic benefits.

Article 6 A fraud of seeking illegitimate economic benefits of the Company refers to an improper act of an internal individual to gain illegitimate economic benefits for the Company from which he may also gain relevant benefits via illegal and non-compliance means such as deception that compromises the interests of the state, other organisations, individuals or shareholders. Any of the following circumstances falls within the scope of such fraudulent acts:

- (I) Expenses for illegitimate purposes, such as bribery or rebate;
- (II) Disposing of non-existing or false assets;
- (III) Deliberately misreporting transactions, recording false transactions, including falsely increasing income and underestimating liabilities, and issuing incorrect financial reports, so as to lead to misunderstanding of financial statement readers or users and resulting in inappropriate investment and financing decisions;
- (IV) Withholding or deleting material information that should have been disclosed;
- (V) Engaging in illegal or non-compliance economic activities;
- (VI) Forging or altering accounting records or evidences;
- (VII) Tax evasion;
- (VIII) Any other acts that seek illegitimate economic benefits of an organisation.

Chapter III Responsibility for Fraud Detection

Article 7 Management of the Company shall be responsible for the occurrence of fraud. The Company's management is responsible for establishing, improving and effectively implementing fraud prevention and control procedures, including assessing risk of fraud and preventing fraud, and conducting self-assessment.

The audit committee is responsible for guiding the Company's anti-fraud activities; The Internal Audit Office is responsible for specifically organising and implementing inter-departmental anti-fraud work within the Company. All business and functional departments shall undertake the anti-fraud work of their own departments.

Chapter IV Fraud Prevention and Control

Article 8 The anti-fraud work undertaken by the Company's management primarily includes: advocating the corporate culture of integrity and honesty, and creating an anti-fraud corporate cultural environment; assessing the risk of fraud and establishing specific control procedures and mechanisms to reduce the occurrence of fraud; establishing a standing anti-fraud organisation for, under the supervision of the board of directors and the audit committee, receiving, investigating and reporting fraud reports and making recommendations on handling fraud reports.

Article 9 Means of advocating the corporate culture of integrity, honesty, probity, fairness, impartiality and business ethics includes but not limited to the followings:

(I) The top management shall persist in setting an example, take the lead to comply with the systems and norms of the Company with practical actions, and commit to upholding business ethics and probity, pursuing high integrity standards and tolerating no fraud.

(II) The Company's anti-fraud policies, procedures and relevant measures shall be effectively communicated or trained within the Company in various forms (through Employee Handbook, release of company rules and regulations, publicity or local area network etc.), so as to ensure that the staff receive training in relevant laws, regulations and professional ethics to help them understanding the concepts behind the code of conduct and distinguishing legal from illegal, and honest from dishonest behaviours. All staff should be aware of the Company's serious attitude towards preventing fraud and their own responsibilities in anti-fraud, and initiatively strive to improve the ideological level and skills of anti-fraud.

(III) Anti-fraud training and education on laws, regulations, integrity and ethics for new staff.

(IV) Encouraging staff to comply with the laws and regulations in their day-to-day work and interaction and engage in activities with integrity and ethics, and helping them properly handle conflict of interest and temptation of illegitimate benefits; communicating the information on the enterprise's promotion of compliance with laws, regulations, integrity and ethics in appropriate forms with all stakeholders in the society who have direct or indirect relations with the enterprise, including external stakeholders (customers, suppliers, regulators and shareholders) and personnel acting on behalf of the Company as agents or trustees (agents, consultants and contractors).

(V) Unethical and dishonest behaviours could be reported non-anonymously through the reporting channels; The Company shall formulate and implement effective education and punishment policies.

Article 10 To assess the risk of fraud and establish a specific control mechanism to reduce the occurrence of fraud mainly through the following means:

(I) The management shall include the assessment of risk of fraud in the enterprise's risk assessment at the beginning of each year. The management shall identify and assess the risk of fraud, including assessment the materiality and possibility of risk of fraud, at the Company level, business department level and main account level. These assessments shall also include false financial reports, appropriation of Company assets and unauthorised or inappropriate income or expense, and assessment of the risk of fraud on senior management or the board of directors.

(II) Implementing control measures to reduce the occurrence of fraud. The management shall establish and implement measures to identify, prevent and reduce false financial reports or misuse of Company assets; all levels and departments of the Company shall establish anti-fraud control measures, which can be in various forms: such as approval, authorisation, verification, examination, division of rights and responsibilities, work performance review and protection of Company asset. Necessary internal control measures shall be established for areas with high risks

of fraud, such as false financial reports and acting ultra vires by management, as well as the information systems and technology area. Such measures shall include compiling business flow charts and formulating management systems, connecting the risks of business fraud and financial fraud with control measures, so as to establish effective control mechanism at the source of fraud.

Article 11 The Company shall conduct background checks on the individuals to be employed or promoted to important positions, such as educational background, work experience and criminal records. The process of background checks shall be formally recorded in writing and be kept in the employee files.

Article 12 Establishing the Internal Audit Office, a standing anti-fraud organisation, under the supervision of the board of directors and the audit committee, receiving, investigating and reporting fraud reports and making recommendations on handling fraud reports.

Article 13 The management's continuous supervision on fraud shall be integrated into the day-to-day control activities, including day-to-day management and supervision.

Article 14 Directors or staff shall avoid any conflict of interest (i.e. conflict of personal interests with the Company's interest) or situations that would be considered to have a conflict of interest. The directors shall report to the Audit Committee in case of actual or potential conflict of interest; staff shall report to the Internal Audit Office in case of actual or potential conflict of interest.

Article 15 Implementing appropriate due diligence on customers and record keeping measures according to the products and services provided by the customers, and types and geographical locations of the customers.

Article 16 The Company prohibits directors and staff from soliciting or accepting any benefits, either for themselves or others, from any person, company or institution or subordinate who has business dealings with the Company. However, they may accept (but not allowed to solicit) the following benefits voluntarily provided by givers:

- (I) advertising or promotional gifts or souvenirs with nominal value only; or
- (II) Gifts for traditional festivals or special occasions with a value of not exceeding RMB100; or
- (III) Discounts or other benefits given by any person or company to the directors or staff of the Company, where the terms and conditions of use of which shall also apply to other general customers.

Article 17 Any gift or souvenir as referred to in paragraph (I) of Article 16 given to a director or staff in connection with his official affairs shall be regarded as a gift to the Company. If the recipient is a director, he shall report to the Audit Committee and enquire the way of dealing with the gift or souvenir. If the recipient is a staff, he shall report to the Human Resources Department and enquire the way of dealing with the gift or souvenir. If a director or staff wishes to receive any other benefits other than that as referred in Article 16, they shall also apply to the audit committee or the human resources department for approval in accordance with the above reporting rules.

Article 18 A benefit shall be refused by a director or staff if the acceptance of which will affect the objectiveness of the director or staff in dealing with the affairs of the Company, or lead them to an act that would compromise the interests of the Company, or if the acceptance of which will be regarded as or accused of improper practice.

Article 19 When a director or staff is required to handle affairs of the Company's customer on its behalf in the process of dealing with the Company's affairs, the director or staff shall also comply

with the additional restrictions regarding the acceptance of benefits imposed by the customer.

Article 20 Establishing appropriate policies or measures to monitor the gifts, hospitality, sponsorship, travel and accommodation or other benefits provided or received by the Company's personnel, and monitor the charitable donations, political activity expenses and recruitment in order to prevent fraud.

Chapter V Whistleblowing and Investigation of Fraud Cases

Article 21 The Internal Audit Office is responsible for establishing the hotline and email address for reporting professional ethical issues and fraud cases, and publishing the hotline number and email address as the channels for staff at all levels and all parties in the society that have economic relations with the Company, either directly or indirectly, to raise and report any violation of professional ethics by the Company and its personnel, or channels to report and expose any actual or suspected fraud cases. The Internal Audit Office shall establish a process for this work, establish written procedures and systems to specify the manners of accepting, maintaining and dealing with allegations and non-anonymous reports from staff and external third parties, and keep written records for inspection by the senior management, audit committee and board of directors.

Article 22 The Internal Audit Office shall, together with the personnel of the Company's legal, human resources and other departments, assess the suspicious reports involving general staff that are alleged but yet to be confirmed according to the cases' priority, and make a decision on whether to investigate. If a report involves the Company's senior management, it shall be jointly investigated, after obtaining the approval from the Company's board of directors and audit committee, by a special investigation team formed by personnel of the Internal Audit Office and management of the relevant departments of the Company. In the process of conducting the relevant investigation, external experts may be appointed to participate in the investigation if necessary; the internal control of the subject business units shall be evaluated and given suggestions for improvement. For the non-anonymous reports, the Internal Audit Office shall inform the whistleblower of the investigation results regardless of whether investigation is conducted.

Article 23 The Internal Audit Office shall file the report materials of fraud cases timely according to the regulations on archives subsequent to the reporting, investigation and handling of the case.

Chapter VI Standing Anti-Fraud Organisations and their Functions

Article 24 The Company has established the Internal Audit Office as a standing anti-fraud organisation, which is responsible for organising and implementing inter-departmental anti-fraud work within the Company under the Company's anti-fraud work, including assisting the Company's executive committee to take the lead in arranging the management and all departments to conduct annual assessment of risk of fraud; assist the management and all departments, including the executive committee, to conduct self-assessment of annual anti-fraud work; conduct independent assessment of the Company's anti-fraud work; assist in the Company's anti-fraud publicity activities; review and evaluate the establishment and implementation of the Company's anti-fraud control mechanism for the purpose of Section 404 of

the Sarbanes-Oxley Act; accept and register fraud reports, organise the investigation of fraud cases, issue recommendations on handling the cases and report to the management, audit committee and board of directors.

Article 25 As a standing working organisation under the audit committee, the Internal Audit Office is responsible for issuing evaluation reports on the Company's anti-fraud work plan and implementation status, and reporting on the receipt, investigation results and recommendations on handling of fraud cases, and listening the work guidance of the audit committee and board of directors.

Article 26 Audit staff shall initiatively raise their anti-fraud awareness and anti-fraud technical ability, maintain due professional prudence, proactively require and accept the training on anti-fraud laws and regulations, industrial standards, knowledge and skills provided by domestic and overseas stock exchanges and regulatory authorities, and proactively understand the development status and plans of the Company's production and operation activities, accounting policies and other relevant rules and regulations.

Article 27 In view of the fact that relevant external institutions, such as relevant local governmental authorities and external audit authorities, may also receive reports of fraud from the Company's internal personnel, the internal audit department shall proactively establish contact and exchange and carry out necessary cooperation.

Chapter VII Guidance and Supervision of Anti-fraud Work

Article 28 The Company's management shall not only take the anti-fraud work as a part of the daily management work, but also proactively support the day-to-day work of the Internal Audit Office, and provide full guarantee in terms of budget, staffing and preparation of working conditions.

Article 29 The Company's executive committee shall hold an anti-fraud briefing meeting at least once a year and whenever there is a fraud case involving members of the Company's executive committee, general managers of headquarter departments or general managers of subsidiaries (branches), resulting in the Company's normal production and business activities being substantially impacted, or affecting the normal issuance of the Company's financial reports or misreporting of financial reports.

All department heads shall report to the executive committee on the implementation of the anti-fraud work of their own department at the briefing meeting, and listen to the relevant opinions and instructions of the executive committee; the Internal Audit Office shall submit an evaluation report on the Company's anti-fraud work plan and its implementation, report on the receipt of reports, investigation results and recommendations on handling of fraud cases, and listens to the relevant opinions and instructions of the executive committee.

Article 30 The Internal Audit Office shall report the anti-fraud work to the audit committee and/or the board of directors at least once a year. The specific works are as follows:

(I) Take the lead in participating in and urging the management to establish an anti-fraud cultural environment within the Company; supervise the management to carry out work in accordance with the Company's anti-fraud system;

(II) Review the management's anti-fraud procedures and control measures, including the management's identification of risk of fraud and the implementation of anti-fraud measures;

- (III) Review the Internal Audit Office's annual assessment of risk of fraud, work plan and report;
- (IV) Review the possibility of ultra vires by the management, or other acts that can exert undue influence on the financial reporting process;
- (V) Understand the staff reporting mechanism and supervise its operation and effectiveness;
- (VI) Obtain the investigation report and recommendations on handling of fraud cases found by the management or internal or external auditors; communicate the Company's anti-fraud work with external auditors;
- (VII) Inquire the management about the receipt and review of quarterly reports on confirmed or suspected fraud or illegal acts, including the nature, status and final treatment of fraud;
- (VIII) Understand the management's feedback on the suggestions provided by internal and external auditors on strengthening anti-fraud control;
- (IX) Deeply participate in or assign relevant personnel to participate in the investigation of major fraud incidents or fraud incidents that involve relevant financial staff;
- (X) Review the internal audit plan for risk of fraud;
- (XI) Listen to the report of the Internal Audit Office on the anti-fraud work of the Company's management;
- (XII) Review the accounting standards, accounting policies and accounting estimates used by the management;
- (XIII) Review the major transactions that are not entered into in the usual and ordinary course of business of the Company and the related party transactions conducted by the management.

Article 31 The individual and joint discussions and instructions made by the audit committee and the board of directors shall be recorded in writing; the feedback and implementation results of the management regarding the inquiries, opinions and instructions from the above institutions shall be recorded in writing and properly kept for future reference.

Article 32 The Internal Audit Office shall take into account the risk of fraud when formulating and implementing the annual audit plan, and provide necessary guidance and supervision in the Company's anti-fraud work. In addition, its work plan and results shall be communicated with the management and subject to the guidance and supervision of the audit committee and the board of directors.

Article 33 With the authorization of the Company's audit committee and the board of directors, the Internal Audit Office may investigate independently or jointly with the Company's business department the reported fraud cases; it may also, being entrusted by the management, investigate special fraud matters for the management and conduct special evaluation on anti-fraud systems and processes against special matters. The investigation reports, recommendations on handling and evaluation reports made by the Internal Audit Office shall be reported to the senior management, the board of directors and the audit committee respectively.

Chapter VIII Remedies and Penalties for Fraud

Article 34 Upon the occurrence of fraud cases, the Company shall prepare a written report on the internal control evaluation and improvement in the remedial measures, take appropriate actions

against non-compliance individuals, and report the results to internal and necessary external third parties.

Article 35 The Internal Audit Office shall advise the Company's management to impose corresponding internal economic and administrative disciplinary punishment according to the relevant requirements against all staff who have committed fraud, regardless of whether the fraud constitute a criminal crime; if the act violates the criminal laws, it shall be transferred to the judicial authorities for handling according to the laws.

Chapter IX Scope of Application

Article 36 This system shall apply to DaChan Food (Asia) Limited and all of its subsidiaries.

Chapter X Policy Disclosure

Article 37 This policy (or its summary) shall be published on the Company's website (www.dachanfoodasia.com).

Chapter XI Periodic Review

Article 38 This policy shall be reviewed by the board of directors periodically, and amended when necessary, so as to improve its effectiveness.

Chapter XII Policy Statement

Article 39 If the Company is involved in any form of bribery or corruption, money laundering and financing of terrorism in Hong Kong or elsewhere, it shall be subject to the criminal and civil penalties of the jurisdiction and suffer from reputational damage, and the Company complies with the Prevention of Bribery Ordinance (Cap 201 of the Laws of Hong Kong) ("POBO"), amongst other relevant laws of other countries or regions as appropriate.

Chapter XIII Supplementary Provisions

Article 40 This system shall be interpreted and amended by the Internal Audit Office with the authorization of the executive committee.

Article 41 This system shall become effective and be implemented on 23 March 2022 upon approval of the board of directors. Upon the effective date of this system, the Anti-fraud and Whistleblowing Mechanism System of the Company that became effective on 1 June 2008 shall lapse.

Correspondence details for reporting are as follows (or other correspondence details published by the Company from time to time):

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