

C.P. POKPHAND CO. LTD.
(the “Company”)

Terms of Reference
of
Audit Committee
(the “Committee”)

(as adopted on 30th March, 2005 and amended on 9th August, 2010)

CONSTITUTION

- The Committee has been set up by the board of directors of the Company (the “Board”) on 28th January, 1999.
- Subject to the regulations contained in the Companies Act 1981 of Bermuda, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the bye-laws of the Company (the “Bye-Laws”), the procedures of the Committee shall be regulated by the provisions set out in these terms of reference.
- These terms of reference with regard to the authority and duties of the Committee have been approved by the Board on 30th March, 2005 which replaced the previously adopted terms of reference of the Committee dated as of 28th January, 1999. The Board has the authority to review and amend the terms of reference from time to time.

MEMBERSHIP

- Members of the Committee shall be appointed by the Board. The Committee shall comprise non-executive directors only and shall consist of a minimum of three members. The majority of the members of the Committee shall be independent non-executive directors (“INED”), at least one of whom shall have appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.
- The chairman of the Committee shall be appointed by the Board and must be an INED. If no such member is nominated, the Committee shall elect one of the members, who should be an INED, as the chairman of the Committee.
- The company secretary or his/her nominee shall be the secretary of the Committee.
- A member who wishes to retire or resign from the Committee shall serve sufficient prior written notice to the Company. A member who ceases to be a member of the Board shall immediately and automatically cease to be a member of the Committee.
- A former partner of the accounting firm which acts as the Company’s existing external auditors should be prohibited from acting as a member of the Committee for a period of one year commencing on the date of his ceasing:-

- to be a partner of the firm; or
- to have any financial interest in the firm,

whichever is the later.

COMMITTEE MEETINGS

- Unless otherwise stipulated herein, the meetings and proceedings of the Committee shall be governed by the provisions contained in the bye-laws of the Company for regulating the meetings and proceedings of the Board.
- The quorum for meeting of the Committee shall be two members.
- The Committee meetings should be held at least twice a year. Additional meetings should be held as the work of the Committee demands. It is expected that the Committee meeting will normally involve the active participation, either in person or through other electronic means of communication, of a majority of members entitled to be present.
- Arrangements should be in place to ensure that all members are given an opportunity to include matters in the agenda for regular Committee meetings.
- The external auditors may request a meeting as and when they consider necessary.
- Senior staff of the Company's accounting and financial reporting functions and representative(s) of the external auditors shall attend meetings of the Committee. Other members of the Board shall also have the right of attendance.
- The Committee shall ensure that sufficient opportunities exist for its members to meet separately with the external auditors and management of the Company, and to meet in private with only the Committee members present.
- Seven days' notice of any meeting of the Committee, or such shorter notice as may be agreed by the members, will be given by the secretary specifying the place, date, time and agenda of the meeting.
- Members should have access to the advice and services of the secretary of the Committee with a view to ensuring that Committee procedures, and all applicable rules and regulations, are complied with.
- If a member has a conflict of interest in a matter to be considered by the Committee which the Committee has determined to be material, the interested member shall not vote at the relevant meeting of the Committee.
- Minutes of Committee meetings should be kept by the secretary of the Committee and such minutes should be open for inspection at any reasonable time on reasonable notice by any member or director. Draft and final versions of minutes of the

Committee meetings should be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting is held.

AUTHORITY

- The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other independent professional advice and to invite the attendance of such outsiders with relevant experience and expertise as it considers necessary.
- The Committee should be provided with separate independent professional advice to member(s) to assist the relevant member(s) with sufficient resources to discharge his/their duties.
- The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

DUTIES

- To communicate on behalf of the Board with the external auditors as regards their duties relating to financial and other reporting, internal control, external and internal audits and such other matters as the Board determines from time to time.
- To assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting to enable the Board to assess the effectiveness of the internal controls of the group and the adequacy of the external and internal audits.
- In particular, the duties of the Committee include the following:-

Relationship with the Company's auditors

- To make recommendation to the Board regarding the appointment, re-appointment and/or removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and/or any questions of resignation or dismissal of such auditors.
- To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences.

- To develop and implement a policy on the engagement of the external auditor to supply non-audit services and report to the Board thereon, 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

- To monitor the integrity of the financial statements of the Company and the Company's annual reports and accounts, interim reports and (if any) quarterly reports, and to review significant financial reporting judgments contained therein.
- To review the Company's annual reports and accounts, interim reports and (if any) quarterly reports before submission to the Board for endorsement. In this connection, the Committee should particularly focus on :-
 - Any changes in accounting policies and practices;
 - Major judgmental areas;
 - Adequacy of disclosure;
 - Consistency within the financial statements and with prior disclosure;
 - Significant adjustments resulting from audit;
 - Going concern assumptions and any qualifications;
 - Compliance with accounting standards; and
 - Compliance with the Listing Rules and other legal requirements.
- To liaise with the Board and senior management, and to meet, at least once a year, with the Company's external auditors.
- To consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and to give due consideration to any matters that have been raised by the staff of the Company responsible for the accounting and financial reporting functions, or by the Company's compliance officer or auditors.
- To discuss problems and observations arising from the final audits, (if any) interim and quarterly audits and any matters the external auditors may wish to discuss (in the absence of management where necessary).

Oversee the Company's financial reporting system and internal control procedures

- To review the Group's financial and accounting policies and practices, financial controls, internal control and risk management systems.
- To discuss with the management the scope and quality of the Company's system of internal control and ensure that management has discharged its duty with an effective internal control system, including in the areas of adequacy of

resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and their training programmes and budget.

- To consider any findings of internal investigations as delegated by the Board or on the Committee's own initiative, and management's response.
- To ensure co-ordination between the internal and external auditors and that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor the effectiveness of the internal audit function.
- To review the external auditors' management letter, any material queries raised by the external auditors to management in respect of accounting records, financial accounts or systems of control, and management's response.
- To ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter.
- To report to the Board on the matters set out in Appendix 14 - Code on Corporate Governance Practices of the Listing Rules (as amended from time to time) adopted by the Company.
- To ensure that the chairman of the Committee or another member will attend the annual general meetings of the Company and be prepared to answer questions.
- To ensure that the provision by the external auditors of non-audit services does not impair the external auditors' independence or objectivity and follow "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and its subsequent amendments from time to time approved by the Committee.
- To consider other issues referred to the Committee by the Board.

REPORTING PROCEDURES

- The secretary of the Committee shall circulate the minutes of Committee meetings, reports of the Committee and relevant information to the Board.
- The Committee should report back to the Board on their findings and recommendations or decisions made, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).