

CHINA AGROTECH HOLDINGS LIMITED

浩倫農業科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01073)

Audit Committee - Terms of Reference

1. Constitution

- 1.1 The Audit Committee is a committee established by the Board of Directors (the “Board”) of China Agrotech Holdings Limited (the “Company”).

2. Membership

- 2.1 The Audit Committee shall be appointed by the Board amongst the Non-executive Directors and shall consist of not less than three members (the “Members”), a majority of whom should be Independent Non-executive Directors and at least one of whom is an Independent Non-Executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).
- 2.2 In case of the Board shall appoint a former partner of the Company’s existing audit firm, such former partner should be prohibited from acting as a Member of the Audit Committee for a period of one year from the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.
- 2.3 The Chairman of the Audit Committee shall be appointed by the Board and must be an Independent Non-executive Director.

3. Secretary

- 3.1 The Company Secretary of the Company shall be the secretary of the Audit Committee.

* *For identification purpose only*

4. Meetings

- 4.1 Meetings shall be held not less than twice in each financial year. Any Member of the Audit Committee or the external auditors may request a meeting if they consider that one is necessary.
- 4.2 Notice of any meetings has to be given at least 7 days prior to any such meeting being held, unless all the Members unanimously waive such notice. Notice of any adjourned meeting is not required if adjournment is for less than 14 days.
- 4.3 An agenda and accompanying papers should be sent in full to all the Members in a timely manner and at least 3 days before the intended date of a meeting of the Audit Committee (or other agreed period by the Members).
- 4.4 The quorum for meetings of the Audit Committee shall be two Members.
- 4.5 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.
- 4.6 Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present.
- 4.7 A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

5. Attendance at Meetings

- 5.1 As necessary or desirable, the Audit Committee may request members of the Management, the Head of Internal Audit (if any) and representative(s) of the external auditors to attend meetings. Subject to the aforesaid, other members of the Board may attend all meetings of Audit Committee although only the Members are entitled to vote at such meeting.

6. Annual General Meeting

- 6.1 The Chairman of the Audit Committee or in his/her absence, another Member of the Audit Committee, shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Audit Committee's activities and their responsibilities.

7. Duties

- 7.1 The duties of the Audit Committee shall be:

Relationship with the Company's auditors

- (a) to be primarily responsible for making recommendations 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. The Audit Committee should discuss with the 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. 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 party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to act as the key representative body for overseeing the Company's relations with the external auditor;

Review of the Company's financial information

- (e) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports (if applicable) before submission to the Board, the Audit Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

- (f) regarding (e) above:
 - (i) Members should liaise with the Board and senior management and the Audit Committee must meet, at least twice in each financial year, with the Company's auditors; and

 - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should 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 auditors;

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

- (g) to review the Company's financial controls, internal control and risk management systems;

CHINA AGROTECH HOLDINGS LIMITED
Audit Committee – Terms of Reference

- (h) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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;
- (i) to consider major investigation findings 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 accounting records, financial accounts or systems 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. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) to report to the Board on the matters of the above; and
- (p) to consider other topics, as defined by the Board.

8. Reporting Procedures

- 8.1 Draft and final versions of minutes shall be sent to all the Members for their comment and records respectively, within a reasonable period of time after the meeting. Minutes shall be kept by the secretary of the Audit Committee. Such minutes shall be open for inspection by Directors of the Company.
- 8.2 The Audit Committee shall report to the Board on their decisions or recommendations.

9. Authority

- 9.1 The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
- 9.2 The Audit Committee shall be provided with sufficient resources to perform its duties including but not limited to obtaining, at the expense of the Company, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Note: Arrangement to seek independent legal or other professional advice could be made through the Company Secretary.

10. Publication of the Terms of Reference

- 10.1 The terms of reference will be posted on the websites of the Company and the Stock Exchange.

Date: 28 March 2012