



The United Laboratories International Holdings Limited

聯邦制藥國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

TERMS OF REFERENCE AND OPERATION OF AUDIT COMMITTEE

Constitution

1. The Board of Directors of the Company (the "Board") hereby resolves to re-confirm its already existing Audit Committee (the "Committee") on 25 May 2007 in compliance with the Corporate Governance Code (the "Code") under Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

Membership

2. The Committee shall consist of at least three members appointed by the Board, and all of whom shall be non-executive directors of the Company and a majority of whom shall be independent non-executive directors (Listing Rule 3.21). At least one member of the Committee must have appropriate professional qualifications or accounting or related financial management expertise as required under Listing Rule 3.10(2).
3. The Chairman of the Committee shall be an independent non-executive director appointed by the Board.

Frequency and proceedings of meetings

4. The Committee should meet at least twice a year. The Committee meeting can be required if the members or the external auditor think necessary.
5. The quorum for a meeting shall be two members of the Committee present.
6. Proceedings of meetings of the Committee shall be governed by the provisions of Article 120 of the Articles of Association of the Company.
7. The Company Secretary or in his absence, his delegate, shall act as the secretary of the Committee meetings.
8. A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

Authority and Duties

9. The Committee is authorised by the Board and has duties below:
- (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 standard. The Committee should 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 the 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 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;
 - (e) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee shall 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 other legal requirements in relation to financial reporting;
 - (f) Regarding (e) above:-
 - (i) members of the Committee should liaise with the Board and senior management, and the Committee must meet, at least twice a year, with the Company's auditor; and

- (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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;
- (g) to review the Company's financial controls, internal control and risk management systems;
- (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 report to the Board on the matters in the code provisions of the Code;
- (o) to consider other topics, as defined by the Board; and
- (p) 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.

(Updated on 27 March 2012)