BEIJING SINOTAU INTERNATIONAL PHARMACEUTICAL TECHNOLOGY CO., LTD.
北京先通國際醫藥科技股份有限公司
TERMS OF REFERENCE OF THE AUDIT COMMITTEE

CHAPTER 1 GENERAL PROVISIONS

Article 1 To ensure the timeliness and professionalism of the internal audit work of Beijing Sinotau International Pharmaceutical Technology Co., Ltd. (the "Company"), enhance the Company's core competitiveness, and improve its corporate governance structure, the Audit Committee is hereby established under the Board of Directors of the Company and these Terms of Reference are formulated in accordance with the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"), the Articles of Association of Beijing Sinotau International Pharmaceutical Technology Co., Ltd. (the "Articles of Association") and other applicable regulations. The provisions of the Company Law, the Articles of Association and the Hong Kong Listing Rules regarding the duties of directors shall apply to the members of the Audit Committee.

Article 2 All members of the Audit Committee shall be non-executive directors who do not hold any senior management position in the Company, among whom independent non-executive directors shall constitute a majority, and the chairman (convener) shall be an independent non-executive director with accounting expertise.

CHAPTER 2 TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Article 3 The Audit Committee of the Board of Directors is a specialized working body under the Board of Directors, exercising the powers of the supervisory committee as prescribed in the Company Law, primarily responsible for communication with, and supervision and review of, the Company's internal and external auditors, the evaluation and improvement of the Company's internal control system, financial reporting, risk management, and risk assessment of major investment projects being undertaken by the Company. The Audit Committee of the Board of Directors shall report its work to the Board of Directors.

Article 4 Personnel composition:

(I) The Audit Committee shall comprise three non-executive director members who do not hold any senior management position in the Company, among whom independent non-executive directors shall constitute a majority, and at least one of the members shall be an independent non-executive director who is a financial accounting professional and meets the requirements of Rule 3.10(2) of the Hong Kong Listing Rules.

(II) Members of the Audit Committee shall be nominated by the chairman of the Board of Directors, not less than one-half of the independent non-executive directors, or not less than one-third of all the directors, and shall be elected, appointed and dismissed by the Board of Directors.

A former partner of the existing external auditor responsible for auditing the Company's accounts shall not serve as a member of the Audit Committee within two years from the later of the following dates:

1. The date on which he/she ceases to be a partner of such external auditor; or

2. The date on which he/she ceases to be entitled to any financial benefit from such external auditor.

(III) The Audit Committee shall have one chairman, who shall be an accounting professional among the independent non-executive director members and shall be responsible for presiding over the work of the committee. The chairman shall be elected from among the members of the committee and shall be appointed upon the approval of the Board of Directors.

(IV) The term of office of the Audit Committee shall coincide with that of the Board of Directors. Members may be re-elected upon the expiry of their term of office. During a member's term of office, if the member ceases to be suitable to serve as a director of the Company, or if a member who is required to have the status of an independent non-executive director ceases to possess the independence prescribed by relevant laws, regulations, rules, regulatory documents or the Articles of Association, such member shall automatically lose his/her committee membership, and the Board of Directors shall fill the vacancy in accordance with these Terms of Reference.

(V) If a director's term of office expires and a successor is not elected in time, the incumbent director serving as a member of the Audit Committee shall still perform his/her duties in accordance with the provisions of laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, the Articles of Association and these Terms of Reference until the newly elected director takes office.

(VI) The Audit Committee shall have an internal audit department under it, which shall serve as its daily administrative body, responsible for daily work liaison and the organization of meetings of the Audit Committee.

Article 5 Duties and responsibilities:

The primary duties and responsibilities of the Audit Committee include:

(I) Relationship with the Company's external auditor:

1. Being primarily responsible for making recommendations to the Board of Directors on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and dealing with any questions relating to the resignation or dismissal of such auditor;

2. Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; the Audit Committee shall discuss with the external auditor, before the audit commences, the nature and scope of the audit and the relevant reporting obligations;

3. Formulating and implementing a policy on the engagement of the external auditor to supply non-audit services. For the purposes of this provision, the 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 is part of the audit firm's national or international business. The Audit Committee shall report to the Board of Directors and make recommendations on any matters requiring action or improvement;

(II) Review of the Company's financial information:

4. Monitoring the integrity of the Company's financial statements and the annual report and accounts, half-year reports and quarterly reports, and reviewing significant financial reporting judgements contained in such statements and reports. Before submitting such statements and reports to the Board of Directors, the Audit Committee shall focus particularly on reviewing the following matters:

   (1) Any changes in accounting policies and practices;

   (2) Areas involving significant judgement;

   (3) Significant adjustments arising from the audit;

(4) The going concern assumption and any qualifications, and where the auditor issues a modified opinion on the Company's annual report (covering any circumstances leading to a modified opinion by the auditor due to a disagreement between the auditor and management, including management's refusal to provide information or audit evidence requested by the auditor), disclosure shall be made;

(5) Compliance with accounting standards; and

(6) Compliance with the securities regulatory rules and legal requirements of the place where the Company's shares are listed in relation to financial reporting;

5. In respect of paragraph 4 above:

(1) Members of the Audit Committee shall liaise with the Board of Directors and senior management. The Audit Committee shall meet with the Company's external auditor at least twice a year; and

(2) The Audit Committee shall consider any significant or unusual items that are, or need to be, reflected in such reports and accounts, and shall give due consideration to any matters raised by the Company's accounting and financial reporting staff, compliance officer or external auditor;

(III) Supervision of the Company's financial reporting system, risk management and internal control systems:

6. Reviewing the Company's financial controls, risk management and internal control systems;

7. Supervising the Company's internal audit system, accounting policies and their implementation;

8. Discussing the risk management and internal control systems with management to ensure that management has performed its duty to establish an effective internal control system. Such discussion shall include the adequacy of resources, staff qualifications and experience, staff training programmes and budget of the Company's accounting and financial reporting function;

9. Conducting, on its own initiative or as delegated by the Board of Directors, reviews of significant investigation findings and management's response thereto in respect of risk management and internal control matters;

10. Being responsible for communication between the internal and external auditors, ensuring that the work of the internal and external auditors is coordinated; ensuring that the internal audit function has adequate resources and appropriate standing within the Company; and reviewing and monitoring its effectiveness; acting as the principal representative of the Company in its dealings with the external auditor and being responsible for monitoring the relationship between the two;

11. Reviewing the Group's financial and accounting policies and practices;

12. Reviewing the external auditor's management letter, any material queries raised by the external auditor to management in respect of accounting records, financial accounts or monitoring systems, and management's response thereto;

13. Ensuring that the Board of Directors provides a timely response to the matters raised in the external auditor's management letter;

14. Reviewing the Company's internal control system and auditing major related party transactions;

15. Conducting a review and assessment of the Company's risk management and internal control systems at least once a year, disclosing the details of such review in the Corporate Governance Report and issuing a specific opinion, where the disclosure shall include:

    (I) A statement by the Board of Directors confirming its relevant responsibilities and its confirmation that the risk control system is appropriate and effective;

    (II) The main features of the risk control system;

    (III) Any significant changes to the risk assessment and risk control system during the reporting period;

    (IV) The responsibilities, process and frequency of the relevant internal departments/external service providers in reviewing the effectiveness of the risk control system;

(V) Information supporting the Board of Directors' view that the risk control system is appropriate and effective; and

(VI) The details of the scope of the review and the review results.

16. Reviewing the following arrangements established by the Company: employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that appropriate arrangements are in place for the Company to conduct a fair and independent investigation of such matters and to take appropriate action;

(IV) Corporate governance functions, supervising and improving the principles, framework and systems of corporate governance:

17. Formulating and reviewing the Company's corporate governance policies and practices, and making recommendations to the Board of Directors;

18. Reviewing and monitoring the training and continuous professional development of directors and senior management;

19. Reviewing and monitoring the Company's policies and practices in compliance with legal and regulatory requirements;

20. Formulating, reviewing and monitoring the code of conduct and compliance manual (if any) for employees and directors; and

21. Reviewing the Company's compliance with the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules and the disclosures in the Corporate Governance Report contained in the annual report;

(V) Others:

22. Reporting to the Board of Directors on the above matters and other matters set out in the Code Provision D.3.3 of Appendix C1 to the Hong Kong Listing Rules (and any amendments thereto from time to time);

23. Dealing with other matters as authorized by the Board of Directors of the Company and studying other topics as defined by the Board of Directors.

The Audit Committee shall be accountable to the Board of Directors, and its proposals are submitted to the Board of Directors for consideration and decision.

Article 6 Working procedures:

(I) The internal audit department shall be responsible for the preliminary preparation for the decision-making of the Audit Committee, and shall provide written information relating to the relevant aspects of the Company:

1. The Company's relevant financial reports, financial budgets and decisions and related information;

2. The working reports of the internal and external auditors;

3. The external audit contract and related working reports;

4. The Company's external disclosure of information;

5. The audit reports on major connected transactions of the Company;

6. Other relevant matters.

(II) The Audit Committee shall, at its meetings, review the reports provided by the internal audit department, and shall submit the relevant written resolutions and materials to the Board of Directors for discussion:

1. The evaluation of the work of the external auditor, and the engagement and replacement of the external auditor;

2. Whether the Company's internal audit system has been effectively implemented, and whether the Company's financial reports are complete and true;

3. Whether the financial reports and other information disclosed externally by the Company are objective and true, and whether the Company's major related party transactions comply with relevant laws and regulations;

4. The evaluation of the work of the Company's finance department and audit department (including their heads);

5. Special investigations, litigation matters, fraud and irregularities and other related matters, where the target amount accounts for 10% or more of the Company's latest audited net assets, shall be reported to the Audit Committee. The Audit Committee shall, as appropriate, report the same to the Board of Directors;

6. Other relevant matters.

Article 7 Rules of procedure:

(I) The Audit Committee shall convene a meeting at least twice a year upon the request of the Board of Directors or the proposal of the chairman of the Audit Committee, and shall issue a notice by communication, email or fax three (3) days prior to the meeting. With the consent of all members, the aforesaid notice period may be waived, provided that the chairman shall give an explanation at the meeting and provide members with a sufficient basis for exercising their voting rights. The meeting shall be chaired by the chairman, and if the chairman is unable to attend, he/she may entrust another member (who shall be an independent non-executive director) to chair the meeting. Meetings of the Audit Committee shall be held as on-site meetings or in any other manner recognized by all members. On the premise of ensuring that members can fully express their opinions, the internet, telephone, video and other means may be adopted to facilitate participation of members of the Audit Committee in the meeting; where a member of the Audit Committee participates in an Audit Committee meeting via the internet, telephone, video or other means, he/she shall be deemed to have attended an on-site meeting.

(II) A meeting of the committee shall be held only if not less than two-thirds (2/3) of all members (including two-thirds) are present; each member shall have one vote; resolutions made at the meeting shall be approved by more than half of all members.

(III) Members of the Audit Committee shall attend Audit Committee meetings in person. If a member is unable to attend for any reason, he/she may entrust another member in writing to attend on his/her behalf. If a member neither attends an Audit Committee meeting nor entrusts a representative to attend, he/she shall be deemed to have waived his/her voting rights at that meeting. The meeting agenda and all relevant meeting documents shall be delivered to all committee members and, where appropriate, other persons attending the meeting in a timely manner in accordance with these Terms of Reference. Members shall fully read the meeting materials prior to the meeting.

(IV) Voting at Audit Committee meetings shall be by show of hands or by ballot. Interim meetings may, on the premise of ensuring that members of the Audit Committee can fully express their opinions, be held by telephone, fax, email or other electronic means of communication, and resolutions may be adopted thereat, which shall be signed by the attending members.

(V) Members of the internal audit department may attend Audit Committee meetings as non-voting delegates, and may invite directors, other senior management and the finance manager of the Company to attend meetings as non-voting delegates when necessary.

(VI) If necessary, the Audit Committee may engage intermediary institutions to provide professional advice on its decisions at the expense of the Company. Non-voting delegates shall have no voting rights.

(VII) The convening procedures, voting methods and resolutions adopted at Audit Committee meetings shall comply with the provisions of relevant laws, regulations, the Hong Kong Listing Rules, the Articles of Association and these Terms of Reference.

(VIII) The meetings of the Audit Committee shall be arranged by the secretary to the Board of Directors of the Company. Minutes of meetings shall be kept with sufficient details of the matters considered and the resolutions passed at the meeting, including any doubts raised or objections expressed by members. The minutes of the meetings shall be signed by members present at the meetings, and the complete minutes of the committee shall be maintained by the duly appointed secretary to the committee (usually the company secretary) for a period of ten (10) years. The draft and final versions of the minutes shall be sent to all committee members within a reasonable time after the meeting, with the draft for members to express their views and the final version for record purposes. Directors of the Company may inspect the minutes at a reasonable time upon giving reasonable notice.

(IX) The resolutions adopted and the voting results at Audit Committee meetings shall be reported in writing to the Board of Directors of the Company.

(X) Members attending the meeting and non-voting delegates shall be obliged to keep confidential the matters considered at the meeting and shall not disclose relevant information without authorization.

(XI) Where a member of the Audit Committee, his/her immediate family member, or any other enterprise controlled by a member of the Audit Committee and his/her immediate family member, has a direct or indirect interest in the matters to be discussed at a meeting, such member shall, as soon as possible, disclose to the Audit Committee the nature and extent of such interest.

(XII) In the circumstances referred to in the preceding paragraph, the interested member shall abstain from voting at the meeting of the Audit Committee on his/her own initiative. However, if the other members of the Audit Committee unanimously agree after discussion that such interest will not have a material impact on the matter to be voted on, the interested member may participate in the voting.

(XIII) If the Board of Directors of the Company considers it inappropriate for the interested member referred to in the preceding paragraph to participate in the voting, it may revoke the voting results of the relevant resolution and require the non-interested members to vote again on the relevant resolution.

(XIV) The Audit Committee shall, without counting the interested member(s) towards the quorum, consider and resolve on the proposal. If, after the interested member(s) abstain(s) from voting, the Audit Committee does not have the minimum quorum required for the meeting, a resolution shall be made by all members (including the interested member(s)) on procedural matters such as submitting the proposal to the Board of Directors of the Company for consideration, and the Board of Directors shall consider the proposal.

(XV) The minutes and resolutions of the Audit Committee meetings shall set out the circumstances where the interested member(s) were not counted towards the quorum and did not participate in the voting.

(XVI) The Audit Committee shall, based on the internal audit reports and relevant data submitted by the internal audit department, issue a written assessment opinion on the effectiveness of the Company's internal control and report to the Board of Directors. Where the Board of Directors disagrees with the Audit Committee's opinion on the selection, appointment, resignation or removal of the external audit firm, the Company shall set out in the Corporate Governance Report a statement by the Audit Committee explaining its recommendation and the reasons for the Board of Directors' differing view.

(XVII) The Audit Committee shall, at the invitation of the chairman of the Board of Directors, be represented at the Company's annual general meeting by the chairman of the Audit Committee, or in his/her absence, by another member or his/her authorized representative, to answer questions at the meeting.

(XVIII) The Audit Committee shall publish its terms of reference on the website of The Stock Exchange of Hong Kong Limited and the Company's website, explaining its role and the authority delegated to it by the Board of Directors.

CHAPTER 3 SUPPLEMENTARY PROVISIONS

Article 8 Matters not covered in these Terms of Reference shall be implemented in accordance with relevant national laws and regulations, the relevant requirements of the CSRC, the Hong Kong Listing Rules and the Articles of Association. In case of any conflict between these Terms of Reference and the relevant provisions of the laws and regulations promulgated by the PRC in the future, the Hong Kong Listing Rules or the Articles of Association as amended under lawful procedures, the relevant provisions of national laws and regulations and the Articles of Association shall prevail, and these Terms of Reference shall be amended accordingly and submitted to the Board of Directors for consideration and approval.

Article 9 These Terms of Reference shall come into effect on the date on which the Company's initial public offering of overseas-listed foreign shares (H shares) is completed and such shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, after being considered and approved by the Board of Directors of the Company.

Article 10 Unless otherwise specified, terms used herein shall have the same meanings as those in the Articles of Association. These Terms of Reference shall be formulated and amended by the Board of Directors of the Company, and the right to interpret them shall vest in the Board of Directors.