

Terms of Reference for the Audit Committee
of the Board of Directors of
Nanjing Sinolife United Company Limited

Chapter 1 General Provisions

Article 1 In order to strengthen the decision making functions of the Board of Directors (the “**Board**”), to conduct audit in advance and professional audit so as to ensure effective supervision of the management by the Board and to improve the corporate governance structure, the Company sets up the Audit Committee (the “**Committee**”) of the Board and formulates these working rules (the “**Terms of Reference**”), in accordance with the Company Law of the People’s Republic of China, Guidelines for Corporate Governance of Listed Companies, the articles of association (the “**Articles**”) of Nanjing Sinolife United Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and other relevant provisions.

Article 2 The Committee is a specific working body set up by the Board. Its main responsibilities are to carry out liaison, supervision and review in connection with the internal and external audit of the Company.

Chapter 2 Composition

Article 3 The Committee shall consist of three independent non-executive Directors. At least one of the independent non-executive Directors in the Committee shall be an accounting professional.

Article 4 Members of the Committee shall be nominated by Chairman of the Board or by at least half of independent non-executive Directors or one-third of the Board members, and subject to appointment by the Board.

Article 5 The Committee shall have one convener who shall be an accounting professional and an independent non-executive Director and is responsible for chairing the Committee. The convener shall be elected from the members of the Committee and approved by the Board.

Article 6 The terms of office of the Committee shall be identical to that of the Board. A member may offer himself/herself for re-election upon the expiration of his/her term of office. Any member of the Committee who ceases to be a Director of the Company during the term shall be automatically disqualified as a member of the Committee, and the vacancy shall be filled by the Committee in light of the Articles 3 to 5 above.

Article 7 An Audit Inspection Department is set up by the Company, to conduct internal audit under the guidance and inspection of the Committee. The Secretary to the Board shall take charge of the specific coordination between the Committee and the Board.

Chapter 3 Duties and Authorities

Article 8 The main duties and authorities of the Committee are described below:

Relationship with the auditors of the Company

- (1) 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;
- (2) 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;
- (3) to discuss with the auditors the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is engaged before the audit commences;
- (4) 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the financial information of the Company

- (5) to monitor the integrity of the Company's financial statements and annual report and accounts, interim report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein;
- (6) in reviewing these reports (the Company's annual report and accounts, interim report and, if prepared for publication, quarterly reports) before submission to the Board, the Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the 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;

- (vii) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group and whether such connected transactions, if any, have been carried out in accordance with the terms of the agreement governing such transactions;
 - (viii) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions;
 - (ix) any significant or unusual items that are, or may need to be, reflected in such reports and accounts; and
 - (x) the cashflow position of the Group;
- (7) Regarding the (6) above:
- (i) members of the Committee should liaise with the Board and senior management of the Group and the Committee must meet, at least twice a year, with the Company's auditors; 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;
- (8) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

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

- (9) to review the Company's financial controls, internal control and risk management systems;
- (10) 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;
- (11) 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;
- (12) 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;
- (13) to review the Group's financial and accounting policies and practices;
- (14) to review the external auditor's letter to the management, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

- (15) to ensure that the Board will provide a timely response to the issues raised in the external auditor's letter to the management;
- (16) to conduct exit interviews with any Director, manager, financial controller or internal credit control manager upon their resignation in order to ascertain the reasons for his/her departure;
- (17) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;
- (18) to consider the appointment of any person to be a Committee member, auditors and accounting staff either to fill a casual vacancy or as an additional Committee member, auditors and accounting staff or dismissal of any of them;
- (19) to report to the Board on the matters set out above;
- (20) 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;
- (21) to act as the key representative body for overseeing the issuer's relations with the external auditor;
- (22) to consider and implement other matters, as defined or assigned by the Board from time to time.
- (23) to deal with other matters authorized by the Board.

Article 9 The Committee shall be accountable to the Board, and shall submit its proposals to the Board for consideration and decision. The Committee shall coordinate with the audit activities undertaken by Supervisors of the Board of Supervisors.

Chapter 4 Procedures of Decision Making

Article 10 The Secretary to the Board shall coordinate with the Audit Inspection Department and other relevant departments to provide the Committee with the following written materials for decision-making purpose:

- (1) financial reports of the Company;
- (2) work reports of internal and external auditors;
- (3) external audit contracts and relevant work reports;
- (4) public disclosure of information made by the Company;
- (5) audit reports on material connected transactions of the Company;.
- (6) other relevant matters.

Article 11 The Committee shall convene meetings to discuss reports submitted by the Audit Inspection Department and other relevant departments, and shall submit its relevant written resolutions to the Board for consideration:

- (1) work appraisal on external auditors, and the engagement and replacement of external auditors;
- (2) report on whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are complete and accurate;
- (3) report on whether the financial information disclosed publicly by the Company is objective and accurate, and whether the material connected transactions of the Company are compliant with relevant laws and regulations;
- (4) work appraisal of the internal financial department and audit department, including their persons-in-charge; and
- (5) other relevant matters.

Article 12 The Committee members shall supervise the Audit Inspection Department and conduct inspection at least once on quarterly basis on the following matters and issue an inspection report for submission to the Board:

- (1) Implementation of significant matters of the Company including the raising and application of funds, provision of external guarantee, related party transactions, investment in securities, risky investments, provision of external financial assistance, purchase or sale of assets, external investments, etc.;
- (2) Company transactions involving large amounts of funds as well as transactions of funds with Directors, Supervisors, senior management officers, controlling shareholders, ultimate controlling parties and their related parties.

Article 13 Work rules for annual report of the Committee are as follows:

- (1) Time arrangement for audit work of annual financial report shall be agreed between the Committee and the accounting firm;
- (2) The Committee shall supervise the accounting firm to submit the audit report within the agreed time frame, and shall record the method, frequency and result of supervision in the form of written comments, with signature of the related person in charge for confirmation;
- (3) The Committee shall review the financial and accounting statements prepared by the Company and form written comments before the access of the certified public accountant (the “CPA”) for annual audit;
- (4) After the access of the CPA for annual audit, the Committee shall strengthen communication with the same and shall once again review the Company’s financial and accounting statements and form written comments after the CPA for annual audit has issued a preliminary audit opinion;
- (5) The Committee shall vote and make a resolution on the annual financial and accounting statements for submission to the Board for audit;

- (6) The Committee shall also submit to the Board a summary report on the audit work done by the accounting firm for the current year, and its decision on the renewal of the engagement of the existing auditor or the engagement of a new auditor for the next year.

Chapter 5 Procedural Rules

Article 14 The Committee may hold regular or ad hoc meetings. Regular meetings shall be held once every half year. The Committee shall submit a report to the Board at each regular meeting, which shall cover the progress and quality of internal auditing work and any significant problems discovered. Ad hoc meetings may be held when so requested by members of the Committee. The notice of the meeting shall be given to all the members of the Committee not less than seven days before the meeting. Meetings shall be chaired by the convener. In case of absence of the convener, another member (independent non-executive Director) may be appointed to chair the meeting.

Article 15 Meetings of the Committee could only be convened with presence of more than two thirds of the members. Each member has one vote. Pass of resolutions at such meetings shall be subject to a simple majority of votes represented by all the members of the Committee in favor of such resolutions.

Article 16 As for meetings of the Committee, votes could be made by show of hands or by poll. And for extraordinary meetings, the Committee may adopt voting by communications.

Article 17 Members of the Audit Inspection Department may attend meetings of the Committee. The Committee may invite Directors, Supervisors and senior management of the Company to attend meetings if necessary.

Where an agenda item relating to a member is to be discussed at the meeting of the Committee, such related member shall abstain from the meeting in respect thereof. The said meeting of the Committee may be held by more than one-half of the unrelated members attending the meeting and resolutions proposed shall be passed by more than one-half of the unrelated members. Where the number of unrelated members attending the meeting falls below one-half of the total number of unrelated members of the Committee, such matter shall be submitted to the Board for consideration.

Article 18 If necessary, the Committee may engage intermediary institutions to provide professional opinions on its decisions at the costs of the Company.

Article 19 The procedures for convening a meeting of the Committee, the method of voting and the proposals passed at the meeting shall comply with the governing laws, regulations, the Articles of Association and the Terms of Reference.

Article 20 The Committee shall keep minutes for its meetings. Members present at such meetings shall sign on the minutes that shall be maintained by the Secretary to the Board of the Company for at least 10 years.

Article 21 Proposals passed and voting results reached at meetings of the Committee shall be reported in writing to the Board of the Company.

Article 22 Members present at meetings and others invited to attend such meetings are obliged to keep all matters discussed at such meetings confidential, and shall not disclose relevant information without authorization.

Chapter 6 Addendum

Article 23 The Terms of Reference shall come into effect since the date when they are approved by resolution of the Board of the Company.

Article 24 Any matters not covered by the Terms of Reference shall be implemented in accordance with the relevant PRC laws and regulations and the Articles of Association. If the Rules contravene any laws and regulations as newly issued by the PRC or the Articles of Association as amended with legal procedures, the relevant PRC laws and regulations and the Articles of Association shall prevail, and the Terms of Reference shall be amended immediately and reported to the Board for consideration and approval.

Article 25 The power to interpret the Terms of Reference is vested in the Board of the Company.

Board of Directors of
Nanjing Sinolife United Company Limited
21 December 2013