



JIWA BIO-PHARM HOLDINGS LIMITED

積華生物醫藥控股有限公司*

(Incorporated in Bermuda with limited liability)

(the “Company”)

(Stock code: 2327)

TERMS OF REFERENCE

AUDIT COMMITTEE

(“Committee”)

Membership

1. The Committee shall consist of not less than three members appointed by the board of directors of the Company (the “board”), all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors under the Rules Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited.
2. The Chairman of the Committee shall be appointed by the board.
3. The Company Secretary or his nominee shall act as the Committee’s Secretary.

Frequency and proceedings of meetings

4. The Committee should meet at least twice per year. Additional meetings should be held as the work of the Committee demands.
5. The Committee should meet at least twice per year with the issuer’s external auditors regarding the review of the issuer’s financial report and accounts. Additional meetings should be held as the work of the Committee demands.
6. In addition, the chairman of the Committee may convene additional meetings at his discretion.

* *For identification only*

7. The quorum for a meeting shall be two members.
8. Proceedings of meetings of the Committee shall be governed by the provisions of the Bye-laws of the Company.

Duties, powers and functions

Relationship with the issuer's auditors

9. The Committee is:
 - 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;

Review of the issuer's financial information of the issuer

- d. to monitor integrity of the issuer'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 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 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;

e. Regarding d above:-

- (i) members of the committee should liaise with the issuer's board of directors and senior management and the committee must meet, at least twice a year, with the issuer'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 issuer's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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

- f. to review the issuer's financial controls, internal control and risk management systems;
- g. to discuss the internal control system with management system 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 issuer's accounting and financial reporting function;
- h. to consider major investigations findings on internal control matters as delegated by the board or on its own initiative and management's response

to these findings;

- i. 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 issuer, and to review and monitor its effectiveness;
 - j. to review the group's financial and accounting policies and practices;
 - k. to review the external auditor's management letter, any material queries raised by the auditor to management in respect about accounting records, financial accounts or systems of control and management's response;
 - l. to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;
 - m. to report to the board on the matters in this code provision; and
 - n. to consider other topics, as defined by the board.
10. The audit committee should be provided with sufficient resources to perform its duties.

Reporting Procedures

11. The Committee should report to the board on a regular basis. At the next meeting of the board following a meeting of the Committee, the chairman of the Committee shall report to the board on the findings and recommendations of the Committee.

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