



上海復旦張江生物醫藥股份有限公司

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 8231)

Principles of the Audit Committee

(Passed by the Board of Directors on 11 April 2012)



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1. Composition of the Audit Committee

- 1.1 The Audit Committee is a body specifically set up by the Board.
- 1.2 The Audit Committee must comprise a minimum of 3 independent non-executive directors and/ or non-executive directors and over half of the audit committee members must be independent non-executive directors.
- 1.3 The Audit Committee shall have one chairman who must be an independent non-executive director and will lead the Audit Committee and preside over the meetings of the Audit Committee. A deputy chairman may be appointed where necessary and shall preside over the meetings of the Audit Committee in the absence of the chairman.
- 1.4 There must be at least one independent non-executive director in the Audit Committee who must have appropriate professional qualifications or have appropriate accounting or related financial management expertise, i.e. having experience as public accountant or auditor or chief financial officer, controller or principal accounting officer of a public company, or through performance of similar functions, experience with internal controls and in preparing or auditing comparable financial statements or experience analyzing audited financial statements of public companies.
- 1.5 The term of office of members of the Audit Committee shall be in congruence with the term of directors.
- 1.6 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of 1 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. Terms of Reference for the Audit Committee

2.1 Relationship with the Company's auditors

2.1.1 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 resignation or dismissal of that auditor;

2.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

2.1.3 to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

2.1.4 to act as the major representative for the communications between the Company and the external auditor and be responsible for monitoring their relationship.

2.2 Review of financial information of the Company

2.2.1 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and other legal requirements in relation to financial reporting.

2.2.2 Regarding 2.2.1 above:

- (i) members of the committee should liaise with the Board and senior management of the Company and the committee must meet, at least twice a 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.

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

- 2.3.1 to review the Company's financial controls, internal control and risk management systems;
- 2.3.2 to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system; including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- 2.3.3 to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;



- 2.3.4 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 the effectiveness of the internal audit function;
 - 2.3.5 to ensure that proper arrangements are in place by which employees of the Company may, in confidence, report or question possible improprieties in financial reporting, internal control or other matters and to review such arrangements from time to time for the fair and independent investigation of such matters and for appropriate follow-up action.
 - 2.3.6 to review the group's financial and accounting policies and practices;
 - 2.3.7 to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
 - 2.3.8 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
 - 2.3.9 to report to the Board on the matters set out in These Principles;
 - 2.3.10 to consider other topics, as defined by the Board.
- 2.4 Requirements in relation to the scope of work for the Audit Committee under the listing rules of other places where the Company's securities are listed(as amended from time to time).

3. Guidance for discharge of duties by the Audit Committee

- 3.1 The Audit Committee may establish the following procedure to review and monitor the independence of external auditors:
 - (a) consider all relationships between the Company and the auditor (including the provision of non-audit services)

- (b) seek from the auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding rotation of audit partners and staff; and
 - (c) meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.
- 3.2 The Audit Committee may agree with the Board the Company's policies relating to the hiring of the employees or former employees of the external auditors and monitor the application of such policies. The Audit Committee should then be in a position to consider whether in the light of this there has been any impairment or appearance of impairment, of the auditor's judgment or independence in respect of the audit.
- 3.3 The Audit Committee would normally be expected to ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the Audit Committee may consider:-
- (a) whether the skills and experience of the auditor make it a suitable supplier of the non-audit services;
 - (b) whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
 - (c) the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor; and
 - (d) the criteria which govern the compensation of the individuals performing the audit.
- 3.4 The Audit Committee may refer to the following to further guide its duties



- (a) Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor's Independence issued by the Technical Committee under The International Organization of Securities Commissions in October 2002
- (b) Guidelines on Effective Operations of the Audit Committee issued by Hong Kong Institute of Certified Public Accountants in February 2002.

4. Rules of Procedure for the Audit Committee

- 4.1 The Audit Committee will meet, discuss and determine related matters according to the needs of discharge of the above duties.
- 4.2 The holding of a meeting of the Audit Committee shall be subject to the attendance of more than two-thirds of all the members of the committee. The resolutions made by the meeting shall be subject to approval by over half of all members of the committee.
- 4.3 The Audit Committee may invite directors, supervisors, and other senior management of the Company to attend its meeting as non-voting delegates as necessary.
- 4.4 Minutes should be kept for the meetings of the Audit Committee and signed by members of committee attending the meeting. The draft and final versions of minutes of the meeting shall be circulated to all members for their comment and records respectively within a reasonable time after the meeting. Full minutes of the meetings should be kept by the secretary of the Company.
- 4.5 At the invitation of the chairman of the Board, the chairman of the Audit Committee or in the absence of the chairman, another member of the Audit Committee or his/her authorized representative should be available to answer questions at the annual general meeting of the Company.
- 4.6 The Audit Committee shall report its decisions or recommendations to the Board, unless there are legal or regulatory restrictions on their ability to do so.
- 4.7 The Audit Committee should be provided with sufficient resources to perform its duties.



- 4.8 These terms of reference, explaining the role of the Audit Committee and the authority delegated to it by the Board, shall be made available to the public, and its terms of reference shall be published on the Company's and the Stock Exchange's websites in accordance with the requirements of the listing rules of the places where the Company's securities are listed.

5. Others

- 5.1 These Principles shall come into force on the date when approved by the Board.
- 5.2 These Principles shall be revised from time to time pursuant to the relevant laws and regulations and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, and shall be implemented pursuant to the laws and regulations and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in force if these Principles are not timely amended.