

ZHONGZHI PHARMACEUTICAL HOLDINGS LIMITED

(“Company”)

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

1. MEMBERSHIP

- 1.1 Members of the Audit Committee shall be appointed by the board of directors (the “**Board**”) of the Company.
- 1.2 The Audit Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- 1.3 The majority of the members of the Audit Committee must be independent non-executive directors (“**INEDs**”), at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2. CHAIRMAN

- 2.1 The chairman of the Audit Committee shall be appointed by the Board and must be an INED.

3. SECRETARY

- 3.1 The company secretary of the Company (“**Company Secretary**”) shall be the secretary of the Audit Committee. In the absence of the Company Secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Audit Committee, shall attend the meeting of the Audit Committee and take minutes.

4. PROCEEDINGS OF THE AUDIT COMMITTEE

Unless otherwise specified hereunder, the provisions contained in the Company’s Articles of Association (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Audit Committee.

4.1 Quorum

4.1.1 The quorum for meetings of the Audit Committee shall be any two members (at least one of whom should be an INED).

4.2 Frequency of meetings

4.2.1 The Audit Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Audit Committee may be held as and when required.

4.2.2 The Audit Committee shall meet with the external auditors at least twice a year. The external auditors may request a meeting if they consider necessary.

4.3 Attendance at meetings

4.3.1 Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication or in such other manner as the members may agree.

4.3.2 The financial controller, other directors, Company Secretary (or his/her delegate(s)), relevant senior management and persons(s) invited by an Audit Committee member and representative(s) of the external auditors may attend meetings of the Audit Committee from time to time where the Audit Committee considers their presence necessary or appropriate to assist the Audit Committee to perform its duties.

4.4 Notice of meetings

4.4.1 A meeting of the Audit Committee may be convened by any of its members through the Company Secretary.

4.4.2 Unless otherwise agreed by all the members of the Audit Committee, notice (containing details of the venue, time and date of the meeting) of at least 14 days shall be given for a regular meeting of the Audit

4.5.1 Draft and final versions of minutes of Audit Committee meetings shall

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.

5.2.2 Review of the Company's financial information

- (d) To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit 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 legal requirements in relation to financial reporting.
- (e) Regarding to (d) above:
 - (i) members of the Audit Committee should liaise with the Board and senior management and the Audit 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 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.

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

- (f) To review the Company's financial controls, internal control and risk management systems.
- (g) To discuss the internal control system with management to ensure that management has performed its duty to have any 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.

- 5.4 All members of the Audit Committee shall have access to the advice and services of the Company Secretary, and separate and independent access to the Company's senior management for obtaining necessary information.

6. REPORTING RESPONSIBILITIES

- 6.1 The Audit Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).
- 6.2 Where the Board disagrees with the Audit Committee's views on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the corporate governance report a statement from the Audit Committee explaining its recommendations and also the reason(s) why the Board has taken a different view.

7. ANNUAL GENERAL MEETING

- 7.1 The chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Audit Committee's work and responsibilities.

8. AMENDMENTS TO TERMS AND AVAILABILITY OF TERMS

- 8.1 The Audit Committee shall, from time to time, review its own performance, constitution and terms of reference to ensure that it is operating effectively, and recommend any changes it considers to the Board for approval.
- 8.2 The terms may be reviewed by the Board from time to time taking into consideration the operations of the Audit Committee and its contribution to the corporate governance of the Company, as well as any amendments to the Listing Rules from time to time.
- 8.3 The Audit Committee shall make available these terms by publishing them on the websites of the Stock Exchange of Hong Kong Limited and the Company.

If there is any inconsistency between the English and Chinese versions of these Terms of Reference, the English version shall prevail.