

# **3SBio Inc.**

## **Revised Audit Committee Charter**

As adopted by the Board of Directors (the "Board") of

3SBio Inc. (the "Company") in April 2008

### **Duties and Responsibilities**

#### **1. Financial reporting**

- 1.1 The primary responsibility of the Audit Committee is to oversee the Company's accounting and financial reporting processes, internal controls over financial reporting and audits of the financial statements of the Company on behalf of the Board and report the results of its activities to the Board.
- 1.2 Whilst the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate, and are in accordance with generally accepted accounting principles.
- 1.3 The Board is responsible for the Company's financial reports including the appropriateness of the accounting policies and principles that are used by the Company. The external auditors are responsible for auditing the Company's financial reports and for reviewing the Company's interim financial reports.
- 1.4 The Audit Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances.

- 1.5 In carrying out its responsibilities, the Audit Committee has the authority to hire independent professionals such as lawyers, accountants, investigators, to follow up on matters warranting further investigations.
- 1.6 The Audit Committee will take appropriate actions to set the overall corporate "tone" for quality financial reporting.
- 1.7 The Company shall provide the Audit Committee with appropriate funding, as determined by the Audit Committee in its capacity as a committee of the Board, for the payments of: (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (ii) compensation to any independent advisers retained by the Audit Committee in carrying out its duties; and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.
- 1.8 The following shall be the principal duties and responsibilities of the Audit Committee. These are set forth as a guide with the understanding that the Audit Committee may supplement them as appropriate.

## **2.1 Assessment of accounting, financial and internal controls**

- 2.1.1 Discuss and review with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls. Any opinion obtained from the external auditors on the Company's choice of accounting policies or methods should include an opinion on the appropriateness and not just the acceptability of that choice or method.

- 2.1.2 Meet periodically with management and the external auditors to discuss issues and concerns warranting Audit Committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement.
- 2.1.3 Provide sufficient opportunity for the external auditors to meet privately with the members of the Audit Committee.
- 2.1.4 Review with the external auditors any audit problems or difficulties and management's response.
- 2.1.5 Receive regular reports from the external auditors on the critical accounting policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.
- 2.1.6 In consultation with management, cooperate with, and to the extent deemed appropriate by the members of the Audit Committee, oversee, the members of any internal disclosure control task force or other group within the Company which is charged with gathering information for the Company's public reports and filings, considering the materiality of such information and determining disclosure obligations, and consider and respond to any issues and deficiencies relating to the Company's disclosure controls and procedures which are identified by management or such internal group.
- 2.1.7 Discuss with management, the internal auditors and the external auditors management's process for assessing the effectiveness of internal control over financial reporting under

Section 404 of the Sarbanes-Oxley Act of 2002, including any significant deficiencies or material weaknesses identified.

2.1.8 Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.

2.1.9 Review and discuss accounting pronouncements, initiatives and proposed rule changes relevant to the Company.

2.1.10 Review and consider the effect or potential effect of any regulatory regime, accounting initiatives or off-balance sheet structures on the Company's financial statements.

2.1.11 Review and consider any correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies.

## **2.2 Appointment of external auditors**

2.2.1 Be directly responsible for the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditors regarding financial reporting.

2.2.2 Pre-approve all audit and non-audit services provided by the external auditors and shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditors' judgment or independence in respect of the Company.

- 2.2.3 May delegate pre-approval authority to a member of the Audit Committee. The decisions of any Audit Committee member to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting.
- 2.2.4 The external auditors shall be ultimately accountable to the Board and to the Audit Committee as representatives of the Company's stockholders.
- 2.2.5 Review the rationale for employing audit firms other than the principal external auditors; and, where an additional audit firm has been employed, review the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts and the effective use of audit resources.

### **2.3 Assessment of external auditors**

- 2.3.1 At least on an annual basis, shall obtain and review a report by the external auditors describing (or meet and discuss the following with them):
- The audit firm's internal quality control procedures.
  - Any material issues raised by the most recent internal quality control review of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five (5) years, respecting one (1) or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
  - All relationships between the external auditors and the Company (to assess the auditors' independence).
- 2.3.2 Set clear hiring policies for employees or former employees of the external auditors in order to prevent the impairment or

perceived impairment of the external auditors' judgment or independence in respect of the Company.

- 2.3.3 Review and evaluate the lead partner of the external auditors. Ensure that the lead audit partner having primarily responsibility for the audit and the reviewing audit partner of the external auditors are rotated at least every five (5) years and that other audit partners (as defined by the U.S. Securities and Exchange Commission) are rotated at least every seven (7) years.

## **2.4 Independence of external auditors**

- 2.4.1 Review and assess the independence of the external auditors, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditors' judgment or independence in respect of the Company.
- 2.4.2 Draft an annual statement for inclusion in the Company's annual report of whether the Audit Committee is satisfied that the provision of non-audit services is compatible with external auditors independence.

## **2.5 Scope of external audit**

- 2.5.1 Discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures.
- 2.5.2 Review the external auditors' compensation to ensure that an effective, comprehensive and complete audit can be conducted for the agreed compensation level.
- 2.5.3 Discuss with the external auditors the matters required to be discussed by Statement on Auditing Standards No.61, as modified or supplemented.

- 2.5.4 Obtain from the external auditors assurance that it has complied with Section 10A of the Securities Exchange Act of 1934.
- 2.5.5 Consider and review the external auditors' audit of the financial statements and their report thereon, including the scope of the audit of the Company's internal controls over financial reporting and financial statements.
- 2.5.6 Consider and review any significant changes required in the external auditors' audit plan or auditing and accounting principles.

## **2.6 Review and approval of related party transactions.**

- 2.6.1 Review and approve any related party transactions in an amount greater than Rmb500,000 for any single transaction.

## **2.7 Communications with stakeholders**

- 2.7.1 Review the Company's financial reports and the Management's Discussion and Analysis of Financial Condition and Results of Operations prior to the filing of these reports with the U.S. Securities and Exchange Commission.
- 2.7.2 Discuss the results of any interim review (if available) and annual audit and any other matters required to be communicated to the Audit Committee by the external auditors under generally accepted auditing standards.
- 2.7.3 Review all representation letters signed by management to ensure that the information provided is complete and appropriate.
- 2.7.4 Review and discuss relevant press releases, as well as financial information and earnings guidance provided to analysts or rating agencies.

- 2.7.5 Establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- 2.7.6 Cooperate with the Company in preparing any reports of the Audit Committee it intends to include in a proxy statement and any other reports required by applicable securities laws.
- 2.7.7 Review and discuss with management the Company's disclosure in its filings with the Securities and Exchange Commission prepared pursuant Section 302 of the Sarbanes-Oxley Act of 2002.

## **2.8 Committee performance**

- 2.8.1 Perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to current best practice, and report to the Board the results of such review. An evaluation checklist is attached in [Appendix A](#).
- 2.8.2 The Audit Committee shall review on an annual basis any policies adopted by the Audit Committee, including its policy, if any, regarding the pre-approval of audit and non-audit services.
- 2.8.3 Review and reassess the adequacy of this Charter annually.

## **2.9 Committee meeting**

- 2.9.1 The Audit Committee shall meet as often as it determines to be necessary and appropriate, but not less than four (4) times each year. The Audit Committee should strive to hold all its meeting in person, especially those meetings dealing with the results of the fiscal year and reviewing the scope of the

auditors work for the year end audit and quarterly reviews. The Audit Committee may establish its own schedule, provided that it shall provide such schedule to the Board in advance. Special meetings of the Audit Committee may be called by or at the request of any member of the Audit Committee, any of the Company's executive officers, the head of the Company's internal audit department, or the external auditors, in each case on at least twenty-four hours notice to each member.

- 2.9.2 A majority of the appointed members, but no less than two (2) members, shall constitute a quorum for the transaction of business. Those members not in attendance in person may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another, and such participation shall constitute presence in person at such meeting.
- 2.9.3 Appropriate officers and internal audit and financial personnel of the Company may attend any meeting of the Audit Committee, except for portions of such meetings where the presence of such officers or personnel would be inappropriate, as determined by the Audit Committee. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel, internal audit provider or external auditors to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Audit Committee may hold separate executive sessions with management, the external auditors and/or the Company's internal audit provider, as appropriate.
- 2.9.4 Unless the Audit Committee by resolution determines otherwise, any action required or permitted to be taken by the

Audit Committee may be taken without a meeting if all members of the Audit Committee consent thereto in writing and the writing or writings are filed with the minutes of the proceedings of the Audit Committee. The Audit Committee may form and delegate authority to subcommittees when appropriate.

- 2.9.5 The Audit Committee shall maintain written minutes of its meetings, which minutes shall be filed with the minutes of the meetings of the Board.
- 2.9.6 Report through its chairperson to the Board following meetings of the Audit Committee.

### **3. Membership; Appointment; Financial Expert**

- 3.1 The Audit Committee will consist of three (3) or more directors of the Board, each of whom must be an "independent director."

For purposes hereof, an "independent director" shall be one:

- (1) who accepts no consulting, advisory or other compensatory fee from the Company other than in his or her capacity as a member of the Audit Committee, the Board or any other committee of the Board or is not otherwise an affiliated person of the Company,
- (2) who is free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director, and
- (3) who otherwise satisfies the then current laws applicable to members of the Audit Committee of the Company and the listing rules of any securities exchange or securities

quotation system on which any of the Company's securities are listed, including, without limitation, the criteria for independence set forth in Rule 10A-3(b)(1) promulgated under the Securities and Exchange Act of 1934, as amended, subject to the exemptions provided in Rule 10A-3(c) under the Act, and the Financial Industry Regulatory Authority (the "FINRA") (formerly the NASD) Marketplace Rules.

- 3.2 Each member of the Audit Committee shall be able to read and understand fundamental financial statements in accordance with the rules of the FINRA (formerly the NASD) applicable to Nasdaq listed issuers. At least one (1) member shall have past employment experience in finance or accounting, a professional certification in accounting or other comparable experience or background that results in the individual's possessing the requisite financial sophistication, including a current or past position as a chief executive or financial officer or other senior officer with financial oversight responsibilities.
- 3.3 The members of the Audit Committee will be appointed by and serve at the discretion of the Board. The chairperson of the Audit Committee will be appointed by the Board. The Board shall use its best efforts to ensure that at least one (1) member of the Audit Committee shall be a "financial expert," as defined by Section 407 of the Sarbanes-Oxley Act of 2002, having an understanding of generally accepted accounting principles and financial statements, experience in the preparation or auditing of financial statements of companies generally comparable to the Company, experience in the application of generally accepted accounting principles in connection with the accounting for estimates,

accruals and reserves, experience with internal controls over financial reporting and an understanding of audit committee functions.

## **Appendix A**

# **AUDIT COMMITTEE RESPONSIBILITIES EVALUATION CHECKLIST**

### **Oversee Financial Reporting Process:**

- Review annual financial statements.
- Discuss annual financial with management and auditors.
- Review interim financial statements, if applicable.
- Discuss interim financial statements, if applicable, with management and auditors.
- Review Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A").
- Discuss MD&A with management and auditors.
- Review the foregoing before submission to the U.S. Securities and Exchange Commission.
- Review annual report to be filed with the U.S. Securities and Exchange Commission.
- Review all representation letters signed by management.
- Review and discuss press releases.
- Review and discuss earnings press releases.
- Review and discuss earnings guidance provided to analysts or rating agencies.
- Establish procedures for receiving and investigating whistle-blower complaints.
- Prepare reports of the Audit Committee.
- Authority to use outside experts.
- Authority to investigate any matter.

## **Monitor Accounting, Financial and Internal Controls**

### **Systems:**

- Oversee and monitor accounting control.
- Oversee and monitor financial control.
- Oversee and monitor internal control.
- Discuss with the external auditors audit issues and management's response
- Discuss quality of accounting principles with external auditors.
- Oversee internal disclosure control.
- Monitor system for compliance with legal and regulatory requirements.
- Review and approve related-party transactions.

## **Oversee Appointment and Performance of External**

### **Auditors:**

- Select and replace external auditors.
- Pre-approve audit or non-audit services.
- External auditors are accountable to the Board and the Audit Committee.
- Ensure external auditors' qualifications.
- Oversee external auditors' independence.
- Review audit scope, audit plan, and results.
- Discuss and resolve disagreements between external auditors and management.
- Discuss matters required by Statement on Auditing Standards No.61.
- Obtain Section 10A compliance assurance from external auditors.

## **Ensure Open Communication with and among Management, Internal Auditors and External Auditors:**

- With management.
- With internal auditors.
- With external auditors.
- Among management, internal auditors and external auditors.

## **Committee Performance:**

- Perform an annual evaluation of the Audit Committee.
- Report annually to the Board whether the Audit Committee has fulfilled its responsibilities under the Audit Committee Charter.
- Review annually the policies adopted by the Audit Committee.
- Review the Audit Committee Charter annually.

## **Committee Meeting:**

- At least quarterly with at least two (2) members present or attend by phone at each meeting. The Audit Committee should strive to hold all its meeting in person, especially those meetings dealing with the results of the fiscal year and reviewing the scope of the auditors work for the year end audit and quarterly reviews. Those members not in attendance in person may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another, and proper communication can be established with the use of translators and such participation shall constitute presence in person at such meeting.
- Maintain written minutes of each meeting.
- Chairperson reports to the Board after meetings.

**Committee Composition:**

- One (1) member has accounting or financial management expertise.
- All other members must be financially literate.
- All members must be independent.
- At least three (3) members.

This Revised Audit Committee Charter is hereby adopted by the members of the Board of Directors as at this 11th day of April, 2008:

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Lou Dan

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Lawrence S. Wizer

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Lou Jing

\_\_\_\_\_  
Guanjin Hu

\_\_\_\_\_  
Xu Liping

\_\_\_\_\_  
Moujia Qi

\_\_\_\_\_  
Huang Bin