SIHUAN PHARMACEUTICAL HOLDINGS GROUP LTD. (the "Company")

Audit Committee Terms of Reference

Adopted by the Board on 8 October 2010

and

Amended by the Board on 19 March 2012

and

31 December 2018

1 Constitution

The board of directors of the Company (the "**Board**") resolved to constitute and establish an audit committee (the "**Audit Committee**") on 8 October 2010, with authority, responsibility, and specific duties as described below.

2 Membership

2.1 The members of the Audit Committee shall be appointed by the Board and shall consist of not less than three (3) members comprising non-executive directors only.

2.2 The majority of the members of the Audit Committee shall be independent non-executive directors and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

2.3 The Board shall appoint the Audit Committee Chairman who must be an independent non-executive director. A quorum shall be two (2) members.

2.4 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of two (2) years from the date of his ceasing:

2.4.1 to be a partner of the firm; or

2.4.2 to have any financial interest in the firm,

whichever is later.

3 Secretary

One of the joint company secretaries of the Company (the "**Company Secretary**") or his/her nominee shall act as the secretary of the Audit Committee.

4 Responsibility

4.1 The function of the Audit Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Company and its subsidiaries (the "**Group**"), overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

4.2 The Audit Committee should serve as a focal point for communication between other directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls, and the audits.

5 Authority

The Audit Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate as requested by members of the Audit Committee. The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice as necessary to assist the Audit Committee and shall be provided with sufficient resources to perform its duties.

6 Duties

The duties of the Audit Committee include:

6.1 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. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the corporate governance report a detailed explanation of the Audit Committee's view and recommendation and the reasons for the Board to have taken such a different view;

6.2 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 shall discusswith the auditor the nature and scope of the audit and reporting obligations before the audit commences;

6.3 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;

6.4 to monitor integrity of the Company's financial statements and annual report and accounts, halfyear 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 Audit Committee shall focus particularly on:

6.4.1 any changes in accounting policies and practices;

6.4.2 major judgmental areas;

6.4.3 significant adjustments resulting from audit;

6.4.4 the going concern assumption and any qualifications;

6.4.5 compliance with accounting standards;

6.4.6 compliance with the Listing Rules and legal requirements in relation to financial reporting;

6.5 Regarding paragraph 6.4 above:—

(a) members of the Audit Committee should liaise with the Board and the senior management of the Company and the Audit Committee must meet, at least twice a year, with the Company's auditors; and

(b) 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.

6.6 to review the Company's financial controls, internal control and risk management systems;

6.7 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;

6.8 to consider major investigation finding on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

6.9 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;

6.10 to review the financial and accounting policies and practices of the Group;

6.11 to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

6.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

6.13 to report to the Board on the matters in the provisions of the Corporate Governance Code contained in appendix 14 of the Listing Rules (as amended from time to time);

6.14 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; and to consider the establishment of a whistle blowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

6.15 to act as the key representative body for overseeing the Company's relations with the external auditor; and

6.16 to consider other topics, as defined by the Board from time to time;

7 Frequency of meetings

7.1 The Audit Committee shall meet at least twice a year.

7.2 The external auditors may request a meeting if they consider that one is necessary.

7.3 Except for provided herein, proceedings of the Audit Committee's meetings shall be governed by the provisions contained in the Bye-laws of the Company.

8 Attendance

8.1 As necessary or desirable, the Chairman may request that members of management and representatives of the external auditors be present at meeting of the Audit Committee. Other Board members shall also have the right of attendance. However, at least once a year the Audit Committee shall meet with the external auditors without executive Board members and management present.

8.2 Meetings can be held by way of telephone conference.

9 Minutes of Meetings

9.1 Full minutes of the Audit Committee meetings shall be kept by the Company Secretary. Draft and final versions of minutes of the meetings shall be sent to all members of the Audit Committee for their comment and records within a reasonable time after the meeting.

9.2 The Company Secretary shall circulate the minutes of meeting of the Audit Committee to all members of the Board.

10 Reporting Responsibilities

10.1 The Audit Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

10.2 The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10.3 The Audit Committee shall disclose in the annual report a summary of its work during the year, including a report on how it met its responsibility, as well as any other information as required by the Listing Rules.

11 Annual General Meeting

The Chairman of the Audit Committee (or in his absence, his duly appointed delegate) shall attend the Annual General Meeting of the Company prepared to respond to any shareholder questions on the Audit Committee's activities.

12 General

The Audit Committee should make available these terms of reference, explaining its role and the authority delegated to it by the Board by including them on the websites of The Stock Exchange of Hong Kong Limited and of the Company.