

UNITED PACIFIC INDUSTRIES LIMITED
(incorporated in Bermuda with limited liability)

CHARTER OF THE AUDIT COMMITTEE

PURPOSE

The Audit Committee (the "Committee") is appointed by the board of directors (the "Board") of United Pacific Industries Limited ("UPI" or the "Company") (the "Board") to assist the Board in overseeing and reviewing:

- the effectiveness of the Company's internal control, risk management system and regulatory compliance ((including external financial reporting obligations) under stock exchange listing rules and applicable laws and regulations; and
- the integrity of the Company's financial statements.

COMPOSITION

1. The Committee shall comprise at least three (3) non-executive directors of the Company, with the majority being independent non-executive directors.
2. At least one of the independent non-executive directors must have 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules").
3. The chairman of the Committee ("Committee Chairman") shall be an independent non-executive director.
4. Any former partner of the Company's existing auditing firm is precluded from acting as a member of the Committee for a period of one year commencing on the date he ceases to be a partner of the firm or to have any financial interest in the firm (whichever is later).
5. Each member of the Committee shall hold office until the next annual organisational meeting of the Board or until his successor shall be duly appointed, whichever is later, and shall be eligible for re-election upon retirement.
6. A member of the Committee shall automatically cease to be a member of the Committee if he/she (i) ceases to be a director of UPI, or (ii) is, in the opinion of the Board, no longer a "non-executive" director as required under Rule 3.21 of the Listing Rules.

AUTHORITY

The authority of the Committee is derived from the Board, therefore the Committee is obliged to report 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).

The Committee is authorised to inspect all accounts, books and records of the Company and the Committee shall have the right to require the management of the Company to furnish all information requested by the Committee as may be required for the purposes of discharging its duties.

The Committee is authorised to obtain outside legal and other independent professional advice and to secure the assistance of outsiders with relevant experience and expertise if it considers necessary. The Committee shall have sole authority to approve related fees and retention terms.

The Committee shall be provided with sufficient resources to discharge its duties.

FUNCTIONS

The functions and duties of the Committee shall include the following:

1 . Relationship with the External Auditors

- 1.1 to act as the key representative body for overseeing the Company's relation with the external auditor.
- 1.2 to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and any questions of resignation or dismissal of that auditors;
- 1.3 to review and approve the remuneration and terms of engagement of the external auditors;
- 1.4 to review and monitor the external auditors' independence and objectivity, and the effectiveness of the audit process in accordance with applicable standard;
- 1.5 to discuss with the external auditor the nature and scope of the proposed audit and reporting obligations before the audit commences;
- 1.6 to ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. 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. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the audit committee may wish to consider:
 - (i). whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;
 - (ii). 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;

- (iii). the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm; and
 - (iv). the criteria which govern the compensation of the individuals performing the audit;
- 1.7 to discuss with the external auditors any audit problems encountered in the audit work and the appropriateness of the accounting policies applied;
- 1.8 to review the external auditors' letter to management, any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's response;
- 1.9 to ensure that significant findings and recommendations made by the external auditors and management's proposed responses are received, discussed and appropriately acted on;
- 1.10 to ensure that the Board provides a timely response to the issues raised in the external auditors' management letter; and
- 1.11 to meet with the external auditors at least once a year without executive Board members present.

2. Review of Financial Information

- 2.1 to review the Group's financial and accounting policies and practices;
- 2.2 to monitor the integrity of the Company's financial statements, annual reports and accounts, and half-yearly or other periodic reports, and to review significant financial reporting judgments contained in them, with particular focus on:
- any changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from audit;
 - the going concern assumptions and any qualifications;
 - compliance with accounting standards; and
 - compliance with the Listing Rules and other legal requirements in relation to financial reporting.
- 2.3 For the purposes of 2.2 above, Committee members:
- must liaise with Board members and senior management, and must meet with the external auditors at least once a year; and
 - should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must 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 external auditors.

- 3. Oversight of financial reporting system and internal control procedures**
- 3.1 to review the issuer's financial controls, internal control and risk management systems;
 - 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 issuer's accounting and financial reporting function, and their training programmes and budget;
 - 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;
 - 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 issuer, and to review and monitor the effectiveness of the internal audit function;
 - 3.5 to review the group's financial and accounting policies and practices;
 - 3.6 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;
 - 3.7 to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;
 - 3.8 to review arrangements by which employees of the issuer may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.
 - 3.9 to report to the board on the matters set out in the the code provision C.3 in the Code on Corporate Governance Practices (Appendix 14 of the Listing Rules); and
 - 3.10 to consider other topics, as defined by the board.

REPORTING RESPONSIBILITIES

The Committee should regularly update the Board about its activities and any matters that may significantly impact on the financial condition or affairs of the business and make appropriate recommendations.

MEETINGS

- 1. The meetings and proceedings of the Committee are governed by the provisions of the Bye-laws of the Company for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by the regulations imposed by the Board.

2. Meetings may be held in person, or via conference by telephone or other electronic means in which every member is able to hear and communicate with each other at the same time.
3. Two members shall form a quorum for a meeting.
4. In the absence of the Committee Chairman at any meeting, the members shall choose one among themselves as chairman. All decisions of the Committee shall be finally decided by a simple majority of votes and, in the event of an equality of votes, the Chairman of the meeting shall have a casting vote. Any extraordinary issue shall be referred to the Board for resolution.
5. The Committee may invite such other persons (e.g. the CEO, CFO, General Counsel and external audit engagement partner) to its meetings as it deems necessary. Other Board members shall also have the right of attendance.
6. Meetings shall be held not less than 2 times a year in connection with the release of the annual and interim results of the Group. Special meetings may be convened as required. The Secretary of the Committee will convene a meeting on receipt of a request by the external or internal auditors.
7. The Secretary of the Committee shall circulate the meeting agenda and supporting documentation to the Committee members a reasonable period in advance of each meeting.
8. Full minutes of the Committee should be kept by the Secretary of the Committee. The draft and final versions of the minutes of the Committee meetings should be sent to all members for their comment and records respectively within a reasonable time after each meeting.
9. The Committee Chairman or another member of the Committee shall attend the Board meeting at which the financial statements are approved.

CHARTER

The Committee shall review and reassess the adequacy of this Charter regularly and recommend any proposed changes to the Board of Directors for approval. This Charter shall not be amended except by the Board.