

**NATURAL BEAUTY BIO-TECHNOLOGY LIMITED**  
**(the “Company”)**

**AUDIT COMMITTEE CHARTER**

(Revised and adopted as of 17 February 2012)

**Foreword**

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has revised its corporate governance requirements to help strengthen the overall standard of corporate governance of Hong Kong issuers. The main changes in the requirements include, among others, a revised Code on Corporate Governance Practices (the “Code”) in a revised Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

LR A14

The Audit Committee is appointed by the board of directors of the Company (the “Board”) to assist the Board in fulfilling its responsibility to oversee (1) the integrity of the Company's financial statements, controls and disclosure; (2) the Company's compliance with legal and regulatory requirements; (3) the qualifications and independence of the Company's external auditors; (4) the performance of the Company's internal audit function and its auditors.

**Principle of the Code**

- The Company must establish an audit committee (“Audit Committee”) comprising non-executive directors only. LR 3.21
- The Audit Committee must comprise a minimum of three members, including at least one independent non-executive director (“INED”) with appropriate professional qualifications or expertise as required by Rule 3.10 (2) of the Listing Rules. LR 3.21
- The majority of the Audit Committee must be INEDs and the chairman of the Audit Committee must be an INED. LR 3.21
- The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its purposes and responsibilities. LR A14\_C3.3(h)
- It has at all times direct access to the auditors and to any officer or employee of the Company. LR A14\_C3.3(e)(i)
- The Audit Committee is provided with sufficient resources to perform its duties. The Audit Committee also has the authority and responsibility to engage outside legal, accounting and other advisors, as it deems appropriate. Funding for any such outside advisors, for the compensation for any auditing firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and for the ordinary administrative expenses of the Audit Committee shall be determined by the Audit Committee and paid by the Company. LR A14\_C3.6

## **Composition, Tenure, Operation and Remuneration of Audit Committee**

All existing INEDs of the Company are invited to be members of the Audit Committee upon inception. Any new INED nominated may be invited by the Board to join the Audit Committee.

A former partner of the Company's existing auditing firm is prohibited from acting as a member of the 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.

LR A14\_C3.2

The tenure of the Audit Committee member shall be the same tenure as the capacity of INED.

The Audit Committee shall hold two regular meetings per year, plus additional meetings to review the Company's interim and annual reports, and such further meetings as circumstances dictate.

LR A14\_C3.3(e)(i)

The Audit Committee shall review and evaluate annually the performance of the Audit Committee and its members, including review of the compliance by the Audit Committee with this Charter.

The Audit Committee shall also review and assess annually the adequacy of this Charter and recommend to the Board any changes to the Charter deemed advisable by the Audit Committee.

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

LR A14\_C3.1

No separate or additional remuneration will be provided for being a member of the Audit Committee.

## **Responsibilities of Audit Committee**

In performing its oversight responsibilities, the Audit Committee shall:

### Financial Statements and Disclosure

1. Monitor integrity of the Company's financial statements, annual report and accounts, half-year 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 should focus particularly on: -

LR A14\_C3.3(d)

- (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;
2. With regard to paragraph 1 above, meet to review and discuss with the Company's Board and senior management on the annual audited financial statements and other financial information, including review of the Company's specific disclosures under Management's Discussion and Analysis and Results of Operations ("MD&A"); LR A14\_C3.3(e)
  3. With regard to paragraph 1 above, meet at least twice a year, with the external auditors; LR A14\_C3.3(e)(i)
  4. With regard to paragraph 1 above, consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and 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; LR A14\_C3.3(e)(ii)
  5. Discuss generally with management the types of information to be disclosed in the Company's result announcements and the type of presentation to be made of that information;
  6. Discuss generally with management the nature of financial information and earnings guidance (if any) provided to securities analysts and to credit rating agencies;
  7. Review and discuss with management and the auditors the selection, application and disclosure of critical accounting policies and practices, including the evaluation criteria used by management in their selection;
  8. Review the results of each audit or review performed by the auditors, including any material comments and recommendations on internal controls or accounting matters by the Company's auditors, any audit problems or difficulties encountered during the course of their audit work (including any restrictions on the scope of the auditors' activities or on access to requested information, and any significant disagreements with management), and the Company's responses thereto;
  9. Obtain from the auditors a report of all alternative treatments within Hong Kong Financial Reporting Standards ("HKFRS") for policies and practices related to material items that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditors, and review any analyses prepared by management or the auditors setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements, including analyses of the effects of alternative HKFRS methods on the financial statements;
  10. Obtain from the auditors a report of all material written communications between the auditors and the Company's management, including any management letter or schedule of unadjusted differences;
  11. Review the responsibilities, budget and staffing of the Company's internal audit function, and significant internal audit findings and management's responses thereto;

#### The Auditors

12. Be directly responsible for making recommendation to the Board on the appointment<sup>1</sup>, re-appointment and removal of and oversight of the work of any auditing firm engaged (including resolution of disagreements between management and the auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, each of which auditing firms shall report directly to the Audit Committee, and to approve the remuneration and terms of engagement of and questions of resignations or dismissal of such external auditors; LR A14\_C3.3(a)
13. Review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences; LR A14\_C3.3(b)
14. 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; LR A14\_C3.3(c)
15. Review, whenever the Audit Committee deems it to be appropriate, the Company's policy regarding employment by the Company of present and former employees of the auditors; LR A14\_C3.3(n)

#### Financial reporting system and internal control procedures

16. Review the Company's financial controls, internal control and risk management systems; LR A14\_C3.3(f)
17. 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 staff of the Company's accounting and financial reporting functions; LR A14\_C3.3(g)
18. Consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings; LR A14\_C3.3(h)
19. Where an internal audit function exists, 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; LR A14\_C3.3(i)
20. Review the financial and accounting policies and practices of the Company and its subsidiaries; LR A14\_C3.3(j)

---

<sup>1</sup> Listing Rule 13.51(4) requires an announcement to be published when there is a change of auditors. The announcement must also include a statement as to whether there are any matters that need to be brought to holders of securities of the Company.

- |     |   |                |
|-----|---|----------------|
| 21. | 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; | LR A14_C3.3(k) |
| 22. | Ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;  | LR A14_C3.3(l) |
| 23. | Report to the Board on the matters in Code Provision C.3.3 of the Code;   | LR A14_C3.3(m) |
| 24. | Consider other topics, as defined by the Board.   | LR A14_C3.3(n) |

### Reports to the Board of Directors

- |     |  |             |
|-----|--|-------------|
| 25. | Report regularly to the Board of Directors, which reports may include, in the Audit Committee's judgement, any issues that may arise relating to the quality or integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independence of the auditors and the performance of the auditors and of the internal audit function;   |             |
| 26. | 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 statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view; and  | LR A14_C3.5 |
| 27. | The Audit Committee shall also:  | LR A14_C3.7 |
|     | <ul style="list-style-type: none"> <li>a. review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and</li> <li>b. act as the key representative body for overseeing the Company's relations with the external auditor.</li> </ul> |             |

### Summary of respective responsibilities of Audit Committee, Management and Auditors

The basic function of the Audit Committee is oversight. The Company's management is responsible for preparing the Company's financial statements and its outside auditors are responsible for auditing those financial statements. Management is responsible for the fair presentation of the information set forth in such financial statements in conformity with generally accepted accounting principles, and for maintaining effective disclosure controls and procedures and an effective internal control structure. The auditors' responsibility is to provide their opinion, based on their audits, as to whether the financial statements fairly present, in all material respects, the financial position, results of operations and cash flows of the Company in conformity with generally accepted accounting principles and to design and perform their audit to provide reasonable assurance that the Company's financial statements are free of material misstatements. It is not the duty of the Audit Committee, or of any of its members, to conduct separate auditing or accounting reviews or provide independent assurance of the Company's compliance with applicable laws and regulations.

The term of reference of the Audit Committee explaining its role and the authority delegated to it by the Board is available on the Stock Exchange's website and on the Company's website at [www.nblife.com/ir](http://www.nblife.com/ir).

LR A14\_C3.4