UNITED PACIFIC INDUSTRIES LIMITED

(Incorporated in Bermuda with limited liability)

TERMS OF REFERENCE
OF THE AUDIT COMMITTEE

FUNCTIONS AND OBJECTIVES

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

A. 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;
B. the integrity of the Company's financial statements;
C. the selection, independence, qualifications and remuneration of the Company's external auditor; and
D. the effectiveness of internal audit function and the performance of external auditor.

COMPOSITION

1. The Committee shall be appointed by the Board and 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 (the "**Chairman**") shall be appointed by the Board and must be an independent non-executive director.

4. A former partner of the Company's existing auditing firm is precluded from acting as a member of the Committee for a period of one (1) year from the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is later.

5. All members of the Committee are appointed by the Board and can be removed by the Board at its sole discretion.

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 the Company, 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.

7. The Company Secretary of the Company or his/her delegate shall be the secretary of the Committee.

DUTIES

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

1. Relationship with the Company's auditor

1.1 To act as the key representative body for overseeing the Company's relations with the external auditor;

1.2 To be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and any questions of its resignation or dismissal of the external auditor;

1.3 To review and approve the remuneration and terms of engagement of the external auditor;

1.4 To review and monitor the independence and objectivity of the external auditor. In relation to this, the Committee shall:

(a) consider all relationships between the Company and the audit firm (including non-audit services);

(b) obtain from the audit firm annually information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and

(c) meet with the auditor, at least annually, in the absence of the management of the Company, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the Committee or the external auditor may wish to raise;

1.5 To review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

1.6 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 Committee should ensure that the provision of such non-audit services does not impair the independence or objectivity of the external auditor. When assessing the independence or objectivity of the external auditor in relation to non-audit services, the Committee may wish to consider:

(i) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;

(ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;

(iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and

(iv) the criteria for determining compensation of the individuals performing the audit;

1.7 To set policies on hiring of employees or former employees of the external auditor and to monitor the application of such policies;

2 . Review of the Company's financial information

2.1 To monitor the integrity of the Company's financial statements and annual reports and accounts, half-year and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them, with particular focus on:

(a) any changes in accounting policies and practices;
(b) major judgmental areas;
(c) significant adjustments resulting from audit;
(d) the going concern assumptions and any qualifications;
(e) compliance with accounting standards; and
(f) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

2.2 Regarding the preparation of the reports and accounts referred to in paragraph 2.1 above:

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

(b) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and 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.

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

3.1 To review the group's financial and accounting policies and practices;

3.2 To review the Company's financial controls, internal control and risk management systems;

3.3 To discuss the internal control system with the management and to ensure that management has performed its duty to have an effective internal control system, which discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budgets of the Company's accounting and financial reporting function;

3.4 To consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and the response of the management of the Company to these findings;

3.5 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;

3.6 To ensure that significant findings and recommendations made by the external auditors and management's proposed responses are received, discussed and appropriately acted on;

3.7 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 the response of the management of the Company;

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

4. Other Duties

4.1 To review arrangements by which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and to ensure that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow-up action.

4.2 To report to the Board on the matters set out in the code provision C.3 of the Code on Corporate Governance Practices (Appendix 14 of the Listing Rules);

4.3 To review from time to time as appropriate the effectiveness of these Terms of Reference and make recommendations to the Board on any necessary changes; and

4.4 To consider other topics, as defined or referred to the Committee by the Board.

AUTHORITY

1. The Committee shall report directly to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).

2. 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.

3. The Committee is authorised to obtain outside legal and other independent professional advice and to secure the assistance from external parties with relevant experience and expertise where it considers necessary. The Committee shall have sole authority to approve related fees and terms of engagement.

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

MEETINGS

1. Frequency

   Meetings shall be held not less than 2 times a year in connection with the release of the annual and interim results of the Company. Additional meetings may be held if the Committee shall so require. The Secretary of the Committee will convene a meeting on receipt of a request by the external or internal auditors.

2. Proceedings

   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.

3. Quorum

   The quorum of the Committee meeting shall be two (2) members.

4. Attendance

The Committee may invite such other persons (e.g. the Chief Executive Officer, Chief Financial Officer, General Counsel and external audit engagement partner) to its meetings as it deems necessary. Other Board members shall also have the right of attendance although only members of the Committee are entitled to vote at such meetings.

5. Resolutions

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. A resolution in writing signed by all the members of the Committee shall be valid and effectual as if it has been passed at a meeting of the Committee duly convened and held.

6. Minutes

The minutes of each Committee meeting (the "**Minutes**") shall be taken and recorded in written form and in sufficient detail the matters considered and decisions reached, including any concerns raised by any member or dissenting views expressed. Drafts and final versions of the Minutes should be sent to all Committee members for review, comment, approval and record within a reasonable time after each meeting. The Minutes shall be signed by the Chairman, and any such duly signed Minutes shall be conclusive evidence of events that transpired at the meeting. A copy of the Minutes duly signed shall be sent to the Company Secretary for permanent filing.

PUBLICATION OF THESE TERMS OF REFERENCE

These Terms of Reference in English and Chinese will be published on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.

30 March 2012