

Sinovac Biotech Ltd.

Audit Committee Charter

STATEMENT OF POLICY

The purpose of the Audit Committee is to assist the Board of Directors in discharging its responsibilities with respect to the accounting policies, internal controls, and financial reporting of Sinovac Biotech Ltd. (the “Company”). The Audit Committee is also responsible for monitoring compliance with applicable laws and regulations, standards of ethical business conduct, and the systems of internal controls. The Audit Committee shall have the authority to retain special legal, accounting, or other consultants to advise the Audit Committee. The Audit Committee may request any officer or employee of the Company, or the Company’s outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

MEMBERSHIP REQUIREMENTS

The Audit Committee shall consist of at least three directors. All members of the Committee shall be independent as defined by Section 10A-3(b)(1) of the Exchange Act, and the American Stock Exchange rules. Each member is to be financially literate and at least one member must have accounting or related financial management expertise and be deemed by the Board of Directors as an Audit Committee Financial Expert. Audit Committee members will be appointed annually. The guidelines issued by the Securities and Exchange Commission and the American Stock Exchange will be followed to determine independence.

RESPONSIBILITIES

The primary responsibility for financial and other reporting, internal controls and compliance with laws and regulations and ethics rests with the management of the Company. However, the Board has determined that:

- A. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the Company’s independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.
- B. Any engagement of the independent auditor to perform services other than audit, review and attest services must be approved by the Audit Committee. In order to safeguard the independence of the auditor, for any proposed non-audit engagement: (i) management and the auditor must affirm to the Audit Committee that the proposed non-audit service is not prohibited by applicable laws, rules or regulations; (ii) management must describe the reasons for hiring the auditor to perform the services; and (iii) the auditor must affirm to the Audit Committee that it is qualified to perform the services.
- C. The Company’s independent auditor shall report directly to the Audit Committee.
- D. The Audit Committee is responsible for resolving any disagreements between the Company’s management and independent auditor regarding financial reporting.
- E. The Audit Committee shall establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

- F. The Audit Committee may engage independent counsel and other advisers as it determines necessary to carry out its duties.

- G. The Audit Committee may use funds from the Company to (i) compensate any independent auditor engaged by the Audit Committee for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, (ii) compensate any advisers employed by the Audit Committee, and (iii) pay for any ordinary administrative expenses of the Committee that are necessary to carry out its duties.

SPECIFIC DUTIES

The Audit Committee has the following specific duties and reporting requirements:

1. The Audit Committee shall meet on a regular basis and call special meetings as circumstances require.
2. The Audit Committee shall report its activities to the Board on a regular basis, such as after each meeting, so that the Board is kept informed of its activities on a current basis.
3. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
4. Assure that the Charter is published in the proxy statement at least once every three years.
5. Review and recommend to the Board the independent auditors to be selected to audit the financial statements of the Corporation, its divisions and its subsidiaries.
6. Receive periodic reports and/or disclosures from the independent auditors required by ISB Standard No. 1 delineating all relationships with the Company, review any disclosed relationships that may impact the objectivity and independence of the auditors, and recommend that the Board take appropriate action in response to the independent auditors' report to satisfy itself of the auditors' independence.
7. Approve the fees of the independent auditors budgeted for each year.
8. Evaluate the performance of the independent auditors.
9. Review with management and the independent auditors, the Company's annual financial statements, related footnotes and Management's Discussion and Analysis of Financial Condition and Results of Operations.
10. Meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
11. Meet with the independent auditors and financial management of the Corporation to review the scope of the proposed audit for the current year and the audit procedures to be utilized, and at the conclusion thereof, review such audit, including any comments or recommendations of the independent auditors. Discussions should also include communication of any matters as required by SAS 61.
12. Review with management and the independent auditors major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Company's financial statements.

13. Review with the independent auditors and the Company's financial management, the adequacy and effectiveness of the accounting and financial controls of the Corporation, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new and more detailed controls or procedures are desirable.
14. Provide sufficient opportunity for the independent auditors to meet with the members of the Audit Committee without members of management present. Among the items to be discussed in these meetings are the independent auditors' evaluation of the Corporation's financial, accounting, and auditing personnel, and the cooperation that the independent auditors received during the course of the audit.
15. Review, with the Company's outside counsel when appropriate, any legal matters that may have a material impact on the organization's financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
16. Review with the independent auditor any problems or difficulties the auditors may have encountered and any management letter provided by the auditor and the Company's response to that letter. Such review should include any difficulties encountered in the course of the audit work including any restrictions on the scope of activities or access to required information.
17. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Corporation's By-Laws and other adopted policies and procedures.
18. Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
19. The Audit Committee shall instruct the independent auditors that, if any significant problems are uncovered or if there are any areas that require its special attention, the chairman of the Audit Committee is to be so advised.
20. The Audit Committee shall obtain from management explanations for all significant variances in the financial statements between years. The Audit Committee should consider whether the data are consistent with the Management's Discussion and Analysis (MD&A) section of the annual report.
21. The Audit Committee and the Board of Directors shall consider whether the independent auditors should meet with the full Board to discuss any matters relative to the financial statements and to answer any questions that other Directors may have.
22. Complete the required communication with the Securities and Exchange Commission or other regulatory agencies regarding member independence, member expertise, and annual review and reassessment of the Charter.
23. Investigate any matter brought to the Audit Committee's attention within the scope of its duties, with the power to retain outside counsel, accountants, or others to assist in the conduct of the investigation if the Audit Committee deems appropriate.