



BIOCYTOGEN PHARMACEUTICALS (BEIJING) CO., LTD.
百奥赛图(北京)医药科技股份有限公司
Stock Code: 2315

**Terms of Reference for the
Audit Committee of
Biocytogen Pharmaceuticals (Beijing) Co., Ltd.**

CHAPTER 1 GENERAL PROVISIONS

Clause 1 In order to ensure the timeliness and professionalism of internal auditing, improve the core competitiveness and optimize the corporate governance structure of Biocytogen Pharmaceuticals (Beijing) Co., Ltd. (the “**Company**”), the Audit Committee has been established under the board of directors with these terms of reference in accordance with the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), the Articles of Association of Biocytogen Pharmaceuticals (Beijing) Co., Ltd. (the “**Articles**”) and other applicable regulations.

Clause 2 All members of the Audit Committee shall be directors and the majority shall be independent directors. The chairman of the committee shall be an independent director. At least one of the independent directors shall possess the professional qualification of accounting.

CHAPTER 2 TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Clause 3 The Audit Committee is set up by the board of directors and is mainly responsible for the communications between the Company and the external auditor, as well as the supervision and review of the audit of the Company.

Clause 4 Composition:

- (I) The Audit Committee shall consist of at least three non-executive directors with a majority of independent directors. At least one of the independent directors shall possess the professional qualification of accounting and fulfill the requirement as prescribed by Rule 3.10(2) of the Hong Kong Listing Rules.
- (II) Members of the Audit Committee shall be nominated by the chairman of the board of directors, not less than half of the independent directors or one-third of all directors, and shall be elected by the board of directors. A former partner of the existing external auditor currently responsible for auditing the accounts of the Company shall be prohibited from acting as a member of the Audit Committee for a period of two years from the date of his/her ceasing to (whichever is later):
 - (1) be a partner of the external auditor; or
 - (2) have any financial interest in the external auditor.
- (III) The Audit Committee shall have a chairman, who shall be an independent director, to preside over the Audit Committee. The chairman shall be elected from the members of the Audit Committee and is subject to the approval of the board of directors.

- (IV) The term of office of the Audit Committee shall coincide with that of the board of directors. A member may serve consecutive terms if re-elected upon the expiry of his/her term of office. A member shall cease to be a member when he/she is no longer a director of the Company, and the committee shall fill the resulting vacancy in accordance with Clause 4 above.
- (V) If a director is not re-elected in time upon the expiration of his/her term of office, the director shall continue to perform his/her duties as a member of the Audit Committee in accordance with the laws, regulations and departmental rules, the Articles and these terms until a newly-elected director takes office.
- (VI) The internal audit department is the administrative office of the Audit Committee responsible for the daily communication and organizing meetings of the Audit Committee.

Clause 5 Duties and responsibilities:

- (I) The primary responsibilities of the Audit Committee include:

Relationship with the external auditor of the Company:

1. mainly responsible for making recommendations to the board of directors on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and dealing with any matters in relation to the resignation and dismissal of the external auditor;
2. reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of audit procedures in accordance with the applicable standards. The Audit Committee shall discuss with the external auditor the nature and scope of the audit as well as the related reporting responsibilities before the audit commences;
3. developing and implementing policies on the provision of non-audit services by the external auditor. For the purpose of this clause, an external auditor shall include any entity that is under common control, ownership or management with an auditing firm or any entity that a third party having reasonable knowledge of all relevant information would reasonably conclude as part of the local or international business of the auditing firm. The Audit Committee shall report to the board of directors on any matters where action or improvement is required and put forward its proposals accordingly;
4. acting as the representative of the Company to deal with the external auditor and manage the relationship between the Company and the external auditor;

Review of financial information of the Company:

5. supervising the integrity of the financial statements and annual reports and accounts, interim reports and quarterly reports of the Company, and reviewing material comments therein in respect of financial reporting. Before submitting the aforementioned statements and reports to the board of directors, the Audit Committee should particularly review:
 - (1) any changes in accounting policies and practices;
 - (2) matters involving material judgements;
 - (3) significant audit adjustments;
 - (4) assumptions and qualifications of going concern;
 - (5) compliance with accounting standards; and
 - (6) compliance with the listing rules and legal requirements in relation to financial reporting of the place where the Company's shares are listed;
6. in relation to clause 5 above:
 - (1) members of the Audit Committee should liaise with the board of directors and senior management. The Audit Committee shall meet with the external auditor of the Company at least twice a year; and
 - (2) the Audit Committee shall consider any significant or extraordinary items that are, or should be, reflected in such reports and accounts, and shall give due consideration to any matters raised by the staff responsible for accounting and financial reporting, compliance officer or external auditor of the Company;

Supervising the financial reporting system, risk management and internal control systems of the Company:

7. reviewing and evaluating the financial control, risk management and internal control systems of the Company;
8. supervising the internal audit system and accounting policy of the Company and the implementation thereof;
9. discussing the risk management and internal control systems with the management to ensure that the management has fulfilled its responsibilities to establish an effective internal control system. The content of the discussion should include the adequacy of resources, staff qualifications and experience, training programs and budgets thereof in relation to accounting and financial reporting of the Company;

10. considering, on its own initiative or at the request of the board of directors, major investigation findings on risk management and internal control matters, and the management's response to those findings;
11. liaising with the internal audit department and external auditor to ensure that their work is coordinated, ensuring that the internal audit department is adequately resourced and has appropriate standing within the Company, and acting as the key representative between the Company and the external auditor, as well as to manage the relationship between the two;
12. reviewing the financial and accounting policies and practices of the Group;
13. reviewing the external auditor's letter to the management, any material queries raised by the external auditor to the management about accounting records, financial accounts or control systems, and the management's response;
14. ensuring that the board of directors provides a timely response to the issues raised in the external auditor's letter to the management;
15. inspecting the internal control system and conducting audits of major connected transactions of the Company;
16. conducting regular reviews and evaluations of the Company's internal control system and providing comments accordingly;
17. reviewing arrangements in which employees can raise their concerns about possible improprieties in financial reporting, internal control, or other matters of the Company in confidence. The Audit Committee shall ensure that proper arrangements are in place for the Company to conduct fair and independent investigations and to take appropriate actions accordingly;

Corporate governance:

18. reviewing the Company's compliance with the Code of Corporate Governance set out in Appendix 14 to the Hong Kong Listing Rules and the disclosures in the corporate governance report contained in the annual report;

Others:

19. reporting to the board of directors on the matters specified in these terms of reference;
20. dealing with other matters assigned by the board of directors and studying other topics as required by the board of directors.

- (II) The Audit Committee shall be accountable to the board of directors and its proposals shall be submitted to the board of directors for its consideration and approval. The Audit Committee shall cooperate with the audit activities of the supervisors of the supervisory committee.

Clause 6 Working procedures:

- (I) The internal audit department is responsible for preliminary preparations by providing the relevant written materials of the Company for decision making of the Audit Committee:
1. financial reports of the Company;
 2. work reports of the internal audit department and external auditor;
 3. external audit contracts and related work reports;
 4. the Company's disclosure of information to the public;
 5. audit reports on major connected transactions of the Company;
 6. other relevant matters.
- (II) The Audit Committee shall review the reports prepared by the internal audit department and submit the relevant written resolutions to the board of directors for discussions on:
1. appraisal of the external auditor, and the appointment and replacement of the external auditor;
 2. whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are comprehensive and true;
 3. whether information, such as financial reports publicly disclosed by the Company, is objective and true, and whether the major connected transactions of the Company are in compliance with the relevant laws and regulations;
 4. appraisal of the Company's internal finance department and audit department, including their persons-in-charge;
 5. other relevant matters.

Clause 7 Procedures of meetings:

- (I) Meetings of the Audit Committee can be classified into regular meetings and extraordinary meetings. The Audit Committee shall hold at least four regular meetings every year on a quarterly basis. Extraordinary meetings shall be held if proposed by committee members. A notice of the meeting shall be served to all committee members three days prior to the meeting. The meeting shall be presided over by the chairman, or if he/she is unable to attend, another member of the committee, who shall be an independent director, designated by him/her.
- (II) Each member shall have one vote. A resolution of the meeting shall be passed by a simple majority of the votes of all members.
- (III) Members of the Audit Committee shall attend committee meetings in person. If a member is unable to attend the meeting for any reason, he/she may authorize another committee member in writing to attend the meeting on his/her behalf. If a member fails to attend the meeting of the Audit Committee in person or by proxy, he/she shall be deemed as having abstained from voting at such meeting.
- (IV) Voting at the meetings of the Audit Committee shall be by a show of hands or by poll. Voting at an extraordinary meeting may be conducted by means of communications.
- (V) Members of the internal audit department may observe meetings of the Audit Committee and the directors, supervisors and other senior management, and financial managers of the Company may be invited to observe the meetings when necessary.
- (VI) The Audit Committee may, if necessary, engage intermediary firms to provide professional advice on its decisions at the expense of the Company and to attend the meetings as non-voting delegates.
- (VII) The convening, voting and passing of resolutions of the meetings of the Audit Committee shall be in compliance with the relevant laws, regulations, the Articles and these terms of reference.
- (VIII) The meetings of the Audit Committee shall be arranged by the secretary to the board of directors of the Company. Minutes of meetings shall be kept with sufficient details of the matters considered and decisions reached at the meetings, including any concerns raised or dissenting views expressed by the members. The minutes of meetings shall be signed by members present at the meetings and shall be maintained by the secretary to the board of directors of the Company for ten years.
- (IX) The resolutions passed by, and the voting results of, the Audit Committee shall be submitted in writing to the board of directors of the Company for approval.
- (X) All members of the committee and persons observing the meeting shall keep their discussions at the meetings confidential, and shall not disclose any relevant information without authorization.

Chapter 3 Supplementary Provisions

Clause 9 For any matters not covered by these terms of reference, the relevant laws and regulations of the PRC, the requirements of the CSRC, the Hong Kong Listing Rules and the Articles shall prevail. In the event that these terms of reference are in contravention with the relevant laws and regulations subsequently promulgated by the PRC government, the Hong Kong Listing Rules or the Articles as amended under lawful procedures, the relevant laws and regulations of the PRC and the Articles shall prevail. Amendments to these terms of reference shall be made accordingly and submitted to the board of directors for approval.

Clause 10 These terms of reference, after being approved by the board of directors, shall become effective and applicable from the date in which the overseas listed foreign shares of the Company are issued and listed on The Stock Exchange of Hong Kong Limited.

Clause 11 Unless otherwise specified, the terms used herein shall have the same meanings ascribed to them in the Articles. These terms of reference are formulated and may be amended by the board of directors of the Company which shall have the right to interpret the same.

Note: In the event of discrepancies between the English and the Chinese versions, the Chinese version shall prevail.