Ab&B Bio-Tech CO., LTD. JS
Terms of Reference – Audit Committee

(Applicable after listing on the Stock Exchange)

Chapter 1 General Provisions

Article 1 In order to improve the discussion and decision-making procedures of the Audit Committee of the Board of Directors (the "Audit Committee") of Ab&B Bio-Tech CO., LTD. JS (the "Company") and to ensure the smooth progress of the work of the Audit Committee, in accordance with the Company Law of the People's Republic of China (the "Company Law"), the Articles of Association of Ab&B Bio-Tech CO., LTD. JS (the "Articles of Association"), and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") and other relevant regulations, the Company formulates these terms of reference.

Article 2 The Audit Committee is a special committee established by the Board of Directors. Its main responsibilities are to supervise and verify the Company's internal and external audit and internal control systems. Members of the Audit Committee shall ensure that they have sufficient time and energy to perform the Audit Committee's work responsibilities, perform their duties diligently, effectively supervise the Company's external audit, guide the Company's internal audit work, and promote the Company to establish effective internal controls as well as provide true, accurate and complete financial report.

Article 3 The Company shall provide necessary working conditions for the Audit Committee and assign specialized personnel or institutions to undertake daily work such as work liaison, meeting organization, material preparation, and archive management of the Audit Committee. The management and the relevant departments of the Company shall cooperate with the Audit Committee when it performs its duties.

Chapter 2 Composition

Article 4 The Audit Committee shall comprise at least three members, all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors, with at least one independent non-executive director possessing the appropriate professional qualifications or accounting or related financial management expertise as required under the Hong Kong Listing Rules.

Article 5 Members of the Audit Committee shall be nominated by the chairman of the Board of Directors, more than half of the independent non-executive directors or one-third of all directors, and shall be elected by the Board of Directors.

Article 6 The Board of Directors shall evaluate the independence and performance of the members of the Audit Committee on a regular basis, and replace the member who is not suitable to remain in the position when necessary. A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of two years from the date he/she ceases (a) to be a partner of the auditing firm; or (b) to have any financial interest in the auditing firm, whichever is later.

Article 7 The Audit Committee shall have a chairperson (the "Chairperson"), who shall be served by an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise, appointed by the Board of Directors and responsible for presiding over the work of the Audit Committee.

Article 8 The term of office of the Audit Committee shall be the same as that of the Board of Directors. Each member of the Audit Committee shall be eligible for re-election upon expiry of his/her term of office. During such period, if any member of the Nomination Committee ceases to be a director of the Company, his/her membership in the Audit Committee shall lapse automatically, and the vacancy shall be filled by the person elected by the Board of Directors according to these terms of reference.

Chapter 3 Secretary

Article 9 The role of the secretary of the Audit Committee shall be served by any one of the company secretary or joint company secretaries.

Article 10 The Audit Committee could from time to time appoint any other person with appropriate qualifications and experience as the secretary of the Audit Committee.

Chapter 4 Duties and Powers

Article 11 The primary duties and powers of the Audit Committee include:

(I) to review and monitor the external auditors' audit process;

(II) to give guidance to the internal audit work;

(III) to oversee the effectiveness of financial reporting system, risk management and internal control systems;

(IV) to review the Company's financial report and express opinions thereon;

(V) to perform the Company's corporate governance functions;

(VI) to coordinate the communication among the management, internal audit department and relevant departments and the external auditor; and

(VII) to perform other duties and powers authorized by the Board of Directors and/or required by applicable laws and regulations from time to time (including the Hong Kong Listing Rules).

Article 12 The duties of the Audit Committee in monitoring and evaluating the work of the external auditor shall at least include the following:

(I) to be primarily 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 any issues in relation to resignation or dismissal of such external auditor;

(II) to review and monitor the external auditor's independence and objectivity and 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;

(III) to formulate and implement policy on engagement of the external auditor to provide non-audit services. For this purpose, "external auditor" shall include any entity that is under common control, ownership or management with the auditing firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the auditing firm nationally or internationally; and

(IV) to report to the Board of Directors on any matters where action or improvement is needed, identify issues and make recommendations.

Article 13 The duties of the Audit Committee in overseeing the financial reporting system, risk management and internal control systems shall at least include the following:

(I) to review the Company's financial controls, and unless expressly addressed by a separate risk committee of the Board of Directors, or by the Board of Directors itself, to review the Company's risk management and internal control systems;

(II) to discuss the risk management and internal control systems with the management team to ensure that management has performed its duties to develop effective systems. Such discussion shall include adequacy of resources, staff qualifications and experiences, training programs and budget regarding the Company's accounting and financial reporting functions;

(III) to consider, on its own initiative or as delegated by the Board of Directors, major investigation findings on risk management and internal control matters and the management's response to these findings;

(IV) to ensure coordination 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;

(V) to review the Company's financial and accounting policies and practices;

(VI) to review the letter to the management from the external auditor, any material queries raised by the external auditor to the management regarding the accounting records, financial accounts or risk management and control systems and the management's response;

(VII) to ensure that the Board of Directors will provide a timely response to the issues raised in the letter to the management from external auditor;

(VIII) to act as the principal representative therebetween for overseeing the Company's relation with the external auditor;

(IX) to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(X) to report to the Board of Directors on the matters in the code provisions under Appendix C1 of the Hong Kong Listing Rules;

(XI) to consider other matters determined by the Board of Directors from time to time; and

(XII) where the Board of Directors disagrees with the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor, the Company shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendations and the reasons why the Board of Directors has taken a different view.

Article 14 The responsibilities of the Audit Committee for reviewing the Company's financial reports and expressing opinions thereon shall at least include the following:

(I) to monitor the integrity of the Company's financial statements, annual report and accounts, half-year report and quarterly reports (if prepared for publication), and to review relevant significant opinions on financial reporting contained therein. Before the submission of such statements and reports to the Board of Directors, the Audit Committee shall focus particularly 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 qualified opinion thereon;

(e) compliance with accounting standards; and

(f) compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting.

(II) Regarding item (I) above,

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

(b) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and should give due consideration to any matters that have been raised by the Company's staff with accounting and financial reporting functions, compliance officer or external auditors.

Article 15 The Audit Committee's responsibilities in performing the Company's corporate governance functions shall include at least the following:

(I) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board of Directors;

(II) to review and monitor the training and continuous professional development of directors and senior management personnel of the Company;

(III) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(IV) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and

(V) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report of the Company.

Article 16 The Company's external auditors and the Audit Committee must hold at least two meetings each year without the attendance of any executive directors (except those invited by the Audit Committee). The secretary to the Board of Directors of the Company may attend the meeting as a non-voting participant.

Article 17 The Company's internal audit department is required to report its work to the Audit Committee. Various audit reports as well as rectification plans and rectification status of audit issues submitted by the internal audit department to the management must be submitted to the Audit Committee at the same time.

Article 18 When the Company intends to hire or replace an external auditor, the Audit Committee must formulate deliberation opinions and make recommendations to the Board of Directors before the Board of Directors considers relevant proposals.

Article 19 The Audit Committee shall be accountable to the Board of Directors and the Audit Committee's proposals shall be submitted to the Board of Directors for consideration and approval. The Audit Committee shall cooperate with the audit activities undertaken by supervisors of the Supervisory Committee.

Article 20 The Audit Committee shall be authorized by the Board of Directors to inspect all accounts, books and records of the Company, and shall have the right to request the management of the Company to provide information on any matter related to the financial condition of the Company, its subsidiaries or affiliates as necessary to perform its duties. The Audit Committee shall be provided with sufficient resources to discharge its duties.

Article 21 The Chairperson or, in his/her absence, another member of the Audit Committee (who must be an independent non-executive director) shall attend the Company's annual general meeting and respond to the shareholders' questions regarding the activities of the Audit Committee and their responsibilities.

Chapter 5 Decision-making Procedures

Article 22 The audit department shall be responsible for making the preliminary preparations and providing the Audit Committee with relevant written information for it to make decisions:

(I) relevant financial reports of the Company;

(II) work reports of internal and external auditors;

(III) external audit contracts and relevant working reports;

(IV) public disclosure of information made by the Company;

(V) audit reports regarding major connected transactions of the Company; and

(VI) other relevant matters.

Article 23 The reports submitted by the audit department shall be discussed in the meetings of the Audit Committee, and its relevant written resolution shall be submitted to the Board of Directors for discussion:

(I) work appraisal on the external auditor, and the appointment and replacement of external auditor;

(II) reports on whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are true in all aspects;

(III) reports on whether information such as financial reports disclosed publicly by the Company are objective and true, and whether the major connected transactions of the Company are in compliance with the requirements of the relevant laws and regulations;

(IV) work appraisal of the internal financial department and audit department, including its responsible person, of the Company; and

(V) other relevant matters.

Chapter 6 Rules of Procedures

Article 24 The meetings of the Audit Committee shall include regular meetings and interim meetings. Regular meetings shall be convened at least twice a year and once every six months. When proposed by more than two members of the Audit Committee or it is deemed necessary by the Chairperson, the Audit Committee may convene an extraordinary meeting. A notice shall be given to all members three days before the date of a meeting of the Audit Committee. The meeting shall be presided over by the Chairperson, and in case the Chairperson is unable to attend, he/she may appoint another member (who must be an independent non-executive director) to preside over the meeting on his/her behalf. Such notification period may be waived with the unanimous consent of all members of the Audit Committee. Notwithstanding the notification period, the attendance of a member of the Audit Committee at the meeting would be deemed as the waiver of the required notification period. The external auditor of the Company may call for a meeting if necessary.

Article 25 The quorum of a meeting of the Audit Committee shall be not less than two-thirds of the members. Each member shall have one vote. A resolution of the meeting must be passed by more than half of all members of the Audit Committee. If abstention from voting leads to failure to form an effective consideration opinion of the Audit Committee, the proposal shall be submitted directly to the Board of Directors for consideration.

Article 26 A meeting may be attended in person or via telephone or video conferencing. Members of the Audit Committee may attend the meeting via telephone or any similar communication device, where all attendants shall be able to hear each other via the devices. Resolutions of the Audit Committee, if to be made at a meeting, shall be passed by more than half of its members present at such meeting.

Article 27 A resolution approved and signed in writing by all members of the Audit Committee shall also be valid as if it had been passed at a meeting duly convened by the Audit Committee.

Article 28 If a member of the Audit Committee is interested in any matter being considered at the meeting, such member shall refrain from the consideration of such matter. Members of the Audit Committee shall attend the meeting in person and explicitly express their opinions on the matters for consideration. Any member who is unable to attend the meeting in person for any reasons may submit a power of attorney signed by him/her to appoint another member to attend the meeting and express opinions on his/her behalf. The power of attorney shall expressly state the scope and duration of the authorization. Each member shall not be appointed by more than one member at the same time. A member who is an independent non-executive director and is unable to attend the meeting in person for any reasons shall appoint another member who is also an independent non-executive director to attend the meeting on his/her behalf.

Article 29 The Audit Committee may, if necessary, invite representatives of the external auditors, supervisors, internal audit personnel, financial personnel and legal consultants of the Company to attend its meeting as non-voting participants to provide necessary information. However, only members of the Audit Committee are entitled to vote at meetings of the Audit Committee.

Article 30 The Audit Committee may, if necessary, engage an intermediary to provide professional opinion for its decision-making at the expense of the Company.

Article 31 The procedures for convening a meetings of the Audit Committee, voting methods of and resolutions passed at such meeting shall comply with the provisions of relevant laws, regulations, the Hong Kong Listing Rules, the Articles of Association and these terms of reference.

Article 32 The Audit Committee shall keep minutes of the meetings. Members and other persons present at the meetings shall sign the minutes of the meetings that shall be kept by secretary to Board of Directors of the Company or the secretary of the Audit Committee and be available for review by all directors. Draft and final versions of minutes of the meetings should be delivered to all members of the Audit Committee within a reasonable period after the meetings. The draft is for expressing opinion among the members and the final version is for record keeping purposes.

Article 33 Resolutions passed at and voting results of a meeting of the Audit Committee shall be reported in writing to the Board of Directors of the Company.

Article 34 Members of the Audit Committee present at a meeting shall keep confidential of all matters discussed at the meeting and shall not disclose such information without authorization.

Chapter 7 Supplementary Provisions

Article 35 After the approval of the Board of Directors, these terms of reference shall come into effective and be implemented upon the foreign listing of the Company through initial public offering of H shares and the listing of the same for trading on The Stock Exchange of Hong Kong Limited. The existing rules of procedures for the Audit Committee shall automatically lapse from the effective date of these terms of reference.

Article 36 For any matters not covered in these terms of reference, the relevant laws and regulations, the Hong Kong Listing Rules, other requirements of the securities regulatory authority in Hong Kong, and the relevant provisions of the Articles of Association shall apply. If the relevant provisions of these terms of reference contravene with the relevant laws and regulations, the Hong Kong Listing Rules, other requirements of the Hong Kong securities regulatory authority and the Articles of Association as enacted or amended in the future, such relevant laws and regulations, the Hong Kong Listing Rules, other requirements of the Hong Kong securities regulatory authority, and the existing or revised Articles of Association shall prevail.

Article 37 The right to interpret these terms of reference shall be vested in the Board of Directors of the Company.

Article 38 In case of any inconsistency with the Chinese version of these terms of reference, the Chinese version shall prevail.