B&K CORPORATION LIMITED
華芯生物科技(青島)股份有限公司

(A joint stock company established in the People's Republic of China with limited liability)

(Stock Code: 2396)

(hereinafter referred to as the "**Company**")

AUDIT COMMITTEE — TERMS OF REFERENCE

1. Members

1.1 The audit committee is established by the Board of the Company and must consist of at least three members.

1.2 The Audit Committee should comprise non-executive Directors only. More than half of the members must be independent non-executive Directors and at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. The members of the Audit Committee shall be appointed by the Board. The former partner of the existing external auditor of the Company should be prohibited from acting as a member of its Audit Committee for a period of two year from the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.

1.3 The chairperson of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.

1.4 The term of appointment of members of the Audit Committee shall be determined by the Board at the time of appointment and shall not exceed such member's term of office as a director.

2. Secretary

2.1 The secretary to the Audit Committee shall be the company secretary.

2.2 The Audit Committee may from time to time appoint any other suitably qualified and experienced person as secretary to the Audit Committee.

3. Meeting

3.1 The Audit Committee shall meet at least twice a year. Any member or the secretary of the Audit Committee can call for a meeting. The external auditors of the Company can call for a meeting if necessary.

3.2 Unless unanimously waived by all members of the Audit Committee, notice of any meeting shall be given at least five working days (excluding Saturdays, Sundays and public holidays in Chinese Mainland and Hong Kong) prior to the meeting. Notwithstanding the notice period, attendance at a meeting by a member of the Audit Committee shall be deemed waiver of the required notice by that member. If an adjourned meeting is held within 14 days after the meeting, no notice is required for such adjourned meeting.

3.3 The quorum for a meeting of the Audit Committee shall be any two members of the Audit Committee, at least one of whom must be an independent non-executive Director.

3.4 Meetings may be held in person, by telephone or by means of video conference. Members of the Audit Committee may participate in a meeting by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

3.5 Resolutions of the Audit Committee, if made at a meeting, shall be passed by a majority vote of the members of the Audit Committee present at the meeting. In the case of an equality of votes, the chairperson of the Audit Committee shall have a second or casting vote.

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

3.7 Full minutes of meetings of the Audit Committee shall be kept by the duly appointed secretary of the meeting for inspection by the directors. Draft and final versions of the minutes shall be sent to all members of the Audit Committee within a reasonable period after the meeting, with the draft for members' comments and the final version for their records.

4. Meeting attendance

4.1 The Audit Committee should meet, at least twice a year, with the Company's auditors without the attendance from any executive Directors of the Company (unless invited by the Audit Committee).

4.2 Upon the invitation from the Audit Committee, the following persons can attend the meeting: (i) chief financial officer (or equivalent); (ii) other staff members responsible for accounting and/or internal audit function; and (iii) the other Board members.

4.3 Only members of the Audit Committee shall have the right to vote at meetings of the Audit Committee.

5. Annual General Meetings

5.1 The chairperson of the Audit Committee or (if absent) the other member of the Audit Committee (who must be an independent non-executive Director) should attend the annual general meetings of the Company, and handle the shareholders' enquiry on the activities and responsibilities related to the Audit Committee at such meetings.

6. Duties and Powers

The Audit Committee is responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assisting the Board to fulfill its responsibility over the audit. The Audit Committee's duties and powers should include:

6.1 Relationship with the Company's external auditors

6.1.1 To be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any issues related to the resignation or dismissal of the external auditor;

6.1.2 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;

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; and

6.1.3 To report to the Board, making recommendations on any matters where action or improvement is needed.

6.2 Review of the Company's financial information

6.2.1 Supervise the integrity of the Company's financial statements and the Company's annual reports and accounts, semi-annual reports and quarterly reports (if published), and review the major opinions on financial reporting contained therein. Before submitting relevant statements and reports to the Board, the Audit Committee should review the following matters in particular:

(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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and legal requirements in relation to financial reporting.

6.2.2 Regarding paragraph 6.2.1 above:

(a) Members of the Audit Committee should liaise with the Board and senior management of the Company. The Audit Committee must meet with the Company's external auditor at least twice a year; and

(b) The Audit Committee shall consider any material or unusual matters that are or need to be reflected in such reports and accounts, and shall give due consideration to any matters raised by the Company's accounting and financial reporting staff or compliance officers or auditors.

6.3 Oversight of the Company's financial reporting system, risk management and internal control systems

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

6.3.2 To discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes received by the staff and the relevant budget of the Company's accounting and financial reporting functions;

6.3.3 Proactively or at the appointment of the Board, to conduct research on important investigation results related to risk management and internal control matters and management's response to the investigation results;

6.3.4 To ensure co-ordination between the work of 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;

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

6.3.6 To review the external auditor's explanatory statement on auditing to management, any material queries raised by the external auditor to management about accounting records, financial accounts or risk management and control systems and management's response;

6.3.7 To ensure that the Board will provide a timely response to the issues raised in the external auditor's explanatory statement on auditing to management;

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

6.3.9 To review the following arrangements set by the Company: employees of the Company may secretly raise concerns about possible improper conduct in financial reporting, risk management, internal control or other aspects. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate action;

6.3.10 To report to the Board on the matters in the code provision under Appendix C1 to the Listing Rules;

6.3.11 To consider other topics, as defined by the Board.

6.4 To perform the Company's corporate governance procedures

6.4.1 To develop and review the Company's corporate governance policies and practices, and make recommendations to the Board;

6.4.2 To review and monitor the training and continuous professional development of directors and senior management members of the Company;

6.4.3 To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

6.4.4 To develop, review and monitor the code of conduct and compliance manual (if any) for employees and directors of the Company;

6.4.5 To review the Company's compliance with the Corporate Governance Code and the disclosures in the Corporate Governance Report.

7. Reporting

7.1 The Audit Committee shall report to the Board after each meeting.

8. AUTHORITY

8.1 The Board should authorise the Audit Committee to inspect all accounts, reports and records of the Company.

8.2 In order to fulfill its duties, the Audit Committee is eligible to request the management of the Company to provide information relating to the financial status of the Company, its subsidiaries and associates.

8.3 The Audit Committee may seek independent professional advice as necessary to fulfil its responsibilities at the Company's expense.

Note: Arrangements for seeking independent professional advice may be made through the chief financial officer or the company secretary.

8.4 The Audit Committee should be provided with sufficient resources to perform its duties.