

# **Beijing Chunlizhengda Medical Instruments Co., Ltd.\***

## **Rules of Procedures of the Audit Committee of the Board of Directors**

### **CHAPTER 1 GENERAL PROVISIONS**

**Article 1** In order to regulate and enhance the decision-making of the board of directors (the “Board”) of Beijing Chunlizhengda Medical Instruments Co., Ltd.\* (hereinafter referred to as the “Company”), ensure effective supervision by the Board on the management of the Company, and improve the corporate governance of the Company, the Company has established the Audit Committee (hereinafter referred to as the “Committee”) of the Board and the rules of procedures herein is prepared in accordance with local and overseas regulations for listed companies, including the Company Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Securities Law of the People’s Republic of China, the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, A Guide for Effective Audit Committees published by Hong Kong Institute of Certified Public Accountants and the Articles of Association of Beijing Chunlizhengda Medical Instruments Co., Ltd.\* (hereinafter referred to as the “Articles of Association”).

**Article 2** The Committee is a dedicated body under the Board and set up by the Board pursuant to the Articles of Association and shall, within its scope of responsibilities, assist the Board in carrying out relevant works. The main duties of the Committee are to supervise, review and evaluate the internal control, financial report and internal audit of the Company and to deal with the external auditors of the Company. The Audit Committee shall be accountable to the Board.

### **CHAPTER 2 COMPOSITION**

**Article 3** The Audit Committee shall comprise at least three directors, all of whom shall be non-executive directors. At least one of the members of the Committee shall be an independent non-executive director with professional qualifications recognized by the listing rules of the stock exchange where the shares of the Company are listed or accounting or relevant financial management expertise.

**Article 4** The members and chairman of the Audit Committee shall be nominated by the chairman of the Board, not less than half of the independent non-executive directors or not less than one-third of all directors for election by the Board.

**Article 5** The Audit Committee shall have a chairman who shall be an independent non-executive director and shall be in charge of the work of the Audit Committee.

**Article 6** The term of office of the members of the Audit Committee shall be the same as that of the directors. A member of the Committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. If any member ceases to be a director of the Company or any member who shall be an independent non-executive director ceases to have the independence as set out in the Articles of Association during his/her term of office, he/she shall immediately cease to be a member of the Committee. The vacancy shall be filled up by the Board in accordance with Article 3 to Article 5 above. The term of the substitute members is up to the expiration of the term of the current session of the committee.

Members of the Committee are subject to adjustment during their term of office upon being suggested by the Chairman of the Board and considered and approved by the Board. The board of directors of the Company shall regularly evaluate the independence and performance of the members of the Audit Committee, and when necessary, replace members who are not suitable to remain in the position.

**Article 7** The Audit Committee of the Board shall have a working team to deal with daily matters, liaison and organization of committee meetings. The Audit Committee shall appoint a secretary for its meetings.

### **CHAPTER 3 POWERS AND DUTIES**

**Article 8** The members of the Audit Committee shall have the professional knowledge, experience and skills necessary for the performance of their duties. The principle duties of the members are as follows:

- (1) to supervise and evaluate the works carried out by the external auditor and make recommendations on the appointment, re-appointment and removal of the external auditors;
- (2) to review and monitor the independence and objectiveness of the external auditors and the effectiveness of the audit procedure in accordance with applicable standards;
- (3) to review the preparation and disclosure of financial information of the Company;
- (4) to oversee the financial reporting system, risk management and internal monitor system of the Company; and
- (5) to enhance the communication between internal auditors and external auditors.

**Article 9**

Other duties of the Audit Committee are as follows:

- (1) to ensure the integrity of the financial statements, annual reports, accounts, interim reports and quarterly reports (if any) of the Company and to review the significant opinions regarding the financial reporting as set out in financial statements and reports; to monitor the annual audit and to advise the Board on the truthfulness, accuracy and integrity of the audited financial statements for the consideration of the Board;

Before submitting the relevant statements and reports to the Board, the Committee shall particularly review, examine and comment on the following matters:

1. any changes in accounting policies and practices;
2. material audit judgments;
3. material audit adjustments or adjustments in significant accounting errors;
4. the going concern and qualified opinions;
5. pay special attention to the possibilities of frauds, deceits and material misstatements relating to financial reporting;
6. supervising the rectification of financial reporting matters;
7. the compliance of accounting standards;
8. the compliance of the Hong Kong Listing Rules and legal requirements regarding financial reporting;

The Committee shall liaise with the Board and the senior management for the performance of its duties. The Committee shall meet the external audit firm at least twice a year. The Committee shall consider any significant or unusual matters that are, or shall be, reflected in financial reports and accounts and shall also consider any matters brought up by financial officers and audit manager of the Company and external audit firm;

- (2) to monitor the financial reporting system of the Company and to review and evaluate the internal control of the Company, including:
  1. to review the financial control, internal control and risk management systems, rules and practices of the Company;
  2. to discuss with the management and ensure an effective internal control system is in place. The discussion shall cover the adequacy of resources, qualification, experience and training of staff and the budget for accounting and financial reporting;
  3. to study the important findings of the investigation in internal control and feedbacks of the management on the findings on its own initiative or under the instruction of the Board;
  4. to review the self-assessment report on internal control;
  5. to review the financial and accounting policies and practices of the Company and its subsidiaries;
  6. to review the audit notes provided to the management by external auditors, any material enquiry raised by auditors on accounting records, financial statements or control system and feedbacks of the management;
  7. to ensure the prompt reply by the Board on issues raised in the audit notes provided to the management by external auditors;
  8. the Audit Committee shall have procedures to deal with the following matters:
    - (i) to receive, file and deal with complaints on accounting, internal control or audit known to the Company;
    - (ii) to receive and deal with open or anonymous complaints on accounting and audit. Investigation of anonymous complainant shall be kept confidential;

- (3) to coordinate the works of internal audit and external audit firm; to ensure the internal audit department have the necessary resources and power to perform its duties in the Company; to determine the internal audit plan and to consider the work report of audit department; and to examine and maintain the effectiveness of internal audit;
- (4) to comment on the audit fee payable to the independent auditors of the Company;
- (5) to supervise the performance of the external audit firm. The Committee shall discuss the nature and scope of audit and the reporting requirements with the auditors before the commencement of audit;
- (6) to devise and implement the policy on engaging external audit firm to provide non-audit services when necessary. The Audit Committee shall report and make recommendation to the Board if any actions or remedial measures are considered necessary;
- (7) other matters as authorized by the Board;
- (8) to comply with the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and report to the Board.

The Committee may make proposals to the Board within the scope of its duties above.

**Article 10** The Audit Committee shall be accountable to the Board and proposals of the Committee shall be submitted to the Board for approval. The Audit Committee shall support the Board of Supervisors to conduct audit exercise.

The Audit Committee shall provide the Board with its discussion, materials and information in the form of reports, proposals and conclusions for consideration.

#### **CHAPTER 4 DECISION-MAKING PROCEDURES**

**Article 11** The working team under the Committee shall facilitate the decision-making of the Committee and preparing the following information of the Company in written form:

- (1) the financial reports of the Company;
- (2) the work reports of internal audit department and external audit firm;
- (3) the internal control system of the Company;
- (4) other relevant matters.

**Article 12** The Audit Committee shall provide written recommendations on the following matters of the Company to the Board for discussion:

- (1) the objectiveness and truthfulness of the financial reports of the Company;
- (2) the performance evaluation of external audit firm and the appointment and removal of external audit firm;
- (3) the effectiveness of the internal audit system of the Company;
- (4) other relevant matters.

## **CHAPTER 5 RULES OF PROCEDURES**

**Article 13** Committee meetings are classified into periodic meetings and extraordinary meetings.

Periodic meetings shall be held on a quarterly basis. The convener the Committee shall inform all the Committee members 10 days prior to the periodic meeting. However, the aforementioned notification period may be exempted upon unanimous consent of all members. The meeting shall be presided over by the convener. In the event that the convener fails to attend the meeting, he/she may appoint another independent non-executive director to preside over the meeting.

In the case where one of the following circumstances occurs, the convener of the Committee shall issue a notice for convening an extraordinary meeting within three days from the date of the matter incurred:

- (1) proposals raised by the Board;
- (2) proposals raised by the Chairman of the Board;
- (3) proposals raised by the convener;
- (4) proposals raised by more than two members of the Committee.

The working group of the Committee shall act in accordance with the instructions from the convener of the Committee and deliver the notice of the extraordinary meeting and relevant information of the meeting to all members of the Committee five days before the meeting. However, the aforementioned notification period may be exempted upon unanimous consent of all members.

- Article 14** The quorum of a meeting of the Audit Committee shall not be less than two-third of the members (including proxies appointed in writing). Each member shall have one vote. A resolution of the meeting shall be passed by more than half of the members.
- When a member fails to attend the meeting in person, he/she may submit the authorization letter signed by him/her to entrust another member to attend the meeting and give opinions on his/her behalf. The authorization letter shall clearly specify the scope and period of authorization.
- Each member can accept the entrustment of a maximum of one member. An independent non-executive director shall entrust another independent non-executive director to attend the meeting on his/her behalf when he/she fails to attend such meeting in person.
- Article 15** Voting at the meeting of the Audit Committee shall be taken by a show of hands. An extraordinary meeting may be convened in the form of vote by correspondence.
- Article 16** The Audit Committee may invite other directors, supervisors, senior management of the Company and other persons to attend its meetings when necessary.
- Article 17** The Audit Committee may retain an intermediary institution to provide professional advice on its decision when necessary. Any reasonable costs so incurred shall be borne by the Company.
- Article 18** The Committee, when considering matters relating to material related party transactions, shall apply the rule of abstaining from voting. The specific abstaining and voting procedures are in accordance with the requirement under the Article of Association and Measures for administration of related party transactions. If a valid consideration opinion cannot be reached due to abstention of the members of the Audit Committee, relevant matters shall be directly subject to the consideration by the Board of Directors.
- The convening, voting and adoption of proposals at a meeting of the Audit Committee shall comply with the applicable laws, regulations, the Articles of Association and these terms of reference.
- Article 19** The Audit Committee shall keep minutes of its meetings. The draft and final versions of the minutes shall be delivered to all committee members within a reasonable period of time for comments and records respectively. Members present at the meetings shall sign the final version of the minutes that shall be kept by the secretary of the Company.
- Article 20** The resolutions passed or comments given at the meetings of the Audit Committee shall be submitted to the Board of the Company in written form for consideration.

**Article 21** All members of the Committee present at the meeting shall keep all matters discussed at the meeting confidential and shall not disclose without approval.

## **CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Article 22** Unless otherwise specified, the terms used herein shall have the same meaning ascribed thereto under the Articles of Association.

**Article 23** These rules of procedures shall be approved by the Board and become effective from the date of the initial public offering and listing of A shares of the Company in the PRC.

**Article 24** For any matters not covered by these rules of procedures or contravening the relevant laws, regulations and regulative documents of the PRC, the relevant provisions of the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and the provisions of the Articles of Association, the relevant laws, regulations and regulative documents of the PRC, the relevant provisions of the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and the provisions of the Articles of Association shall prevail.

**Article 25** These terms of reference shall be formulated, amended and interpreted by the Board.

*This is an English translation of the official Chinese version for reference only. In case of discrepancy, the Chinese version shall prevail.*

Board of Directors  
**Beijing Chunlizhengda Medical Instruments Co., Ltd.\***

\* *For identification purpose only*