

# 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 the decision-making of the board of directors of Beijing Chunlizhengda Medical Instruments Co., Ltd.\* (the “**Company**”), ensure effective supervision by the board of directors on the management team, and improve the governance structure of the Company, the Company has established the Audit Committee (the “**Committee**”) of the board of directors and these rules of procedures herein are formulated in accordance with the Company Law of the People’s Republic of China (the “**Company Law**”), the Corporate Governance Standards for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”), and other relevant provisions under the Hong Kong Stock Exchange and the Articles of Association of Beijing Chunlizhengda Medical Instruments Co., Ltd.\* (the “**Articles of Association**”).

**Article 2** The Committee is a dedicated body under the board of directors and set up by the board of directors pursuant to the Company Law and the Articles of Association and shall, within its scope of responsibilities, assist the board of directors in carrying out relevant works. The main duties of the Committee are to supervise the internal control, financial information and internal audit of the Company. The Audit Committee shall be accountable to the board of directors.

## CHAPTER 2 COMPOSITION

**Article 3** The Committee shall comprise at least three non-executive directors who do not hold senior management positions within the Company. Independent non-executive directors shall constitute a majority of the Committee, and among the independent non-executive directors, there shall be at least one accounting professional. Former partners of the accounting firm currently responsible for auditing the Company’s accounts shall not serve as members of the Audit Committee of the Company for a period of two years commencing on the later of the following dates:

- (1) the date on which he/she ceases to be a partner of that firm; or
- (2) the date on which he/she ceases to have a financial interest in that firm.

**Article 4**

The members of the Committee are elected by the board of directors. The removal of the members of the Committee shall be determined by the board of directors.

**Article 5**

The members of the Committee shall meet the requirements for membership set forth in relevant laws, regulations, normative documents, and by securities regulatory authorities.

**Article 6**

The Committee shall have one convener, who shall be an accounting professional among the independent non-executive director. The convener shall be elected by the Committee members or directly appointed by the board of directors and shall be responsible for chairing the Committee's work.

The principle powers and duties of the convener are as follows:

- (1) to convene meetings of the Audit Committee;
- (2) to preside over meetings of the Audit Committee;
- (3) to sign important documents of the Audit Committee;
- (4) to report regularly to the board of directors of the Company;
- (5) to exercise other powers delegated by the board of directors.

**Article 7**

The term of office of the Committee shall be the same as that of the board of 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 meet the eligibility requirements for membership of the Committee during his/her term of office, he/she shall automatically cease to be a member of the Committee. The vacancy shall be filled up by the board of directors in accordance with Article 3 to Article 6 above. The term of the successor is up to the expiration of the term of the current session of the Committee. The members of the Committee are subject to adjustment during their term of office upon being suggested by the chairman of the board of directors and considered and approved by the board of directors. 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 8**

The principal powers and duties of members are as follows:

- (1) to attend the Committee meetings on time, raise opinions on the issues being discussed during the meetings and exercise the voting right in accordance with these rules of procedures;
- (2) to fully understand the responsibilities of the Committee and those as a member of the Committee, and be familiar with the Company's operation and management conditions, business activities and development related to his/her responsibilities to assure his/her capacity for the performance of duties;
- (3) to guarantee that he/she has devoted sufficient time and attention to fulfil his/her responsibilities;
- (4) to exercise other powers as stipulated in these rules of procedures.

**Article 9**

The Audit Committee shall have a working team composed of personnel from the office of the board of directors of the Company to deal with daily matters, liaison and organization of Committee meetings. Members of working team may be present at meetings of the Committee.

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

**Article 10**

The Committee shall be responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal controls. The details of its principal powers and duties are as follows:

- (1) the relationship with the Company's audit firm:
  - (i) primarily responsible for advising the board of directors on the appointment, reappointment and removal of the external audit firm, for approving the remuneration and terms of engagement of the external audit firm, and for handling any matters relating to the resignation or dismissal of such firm;

- (ii) to review and monitor the independence and objectivity of the external audit firm and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss the nature and scope of the audit and related reporting responsibilities with the audit institution prior to the commencement of the audit work;
- (iii) to formulate and implement policies regarding the provision of non-audit services by the external audit firm. For the purposes of this provision, the external audit firm shall include any entity under the same control, ownership or management as the company responsible for the audit, or any entity which a reasonable third party, having all relevant information, would reasonably conclude to be part of the domestic or international operations of the company responsible for the audit. The Audit Committee shall report to the board of directors and make recommendations on any matters requiring action or improvement; and
- (iv) where the board of directors disagrees with the Audit Committee's recommendation regarding the selection, appointment, resignation or removal of the external audit firm, the Company shall include in the Corporate Governance Report a statement setting out the Audit Committee's rationale for its recommendation and the reasons of the board of directors for disagreeing.

- (2) to guide and oversee the Company's internal audit work;
- (3) to coordinate the relationship between management, the internal audit department and external audit entities such as the accounting firm and the national audit authority;

(4) to oversee the integrity of the financial statements, annual reports, accounts, interim reports and (if intended to be published) quarterly reports of the Company and to review the significant opinions regarding the financial reporting as set out in financial statements and reports. Before submitting the relevant statements and reports to the board of directors, the Committee shall particularly review on the following matters:

- (i) any changes in accounting policies and practices;
- (ii) material judgments involved;
- (iii) material adjustments arising from the audit;
- (iv) the going concern assumption and any qualified opinions;
- (v) the compliance of accounting standards; and
- (vi) the compliance of the Listing Rules and legal requirements regarding financial reporting.

With regard to the duties outlined in paragraph (iv) above:

- (i) the members of Committee shall liaise with the board of directors and the senior management. The Committee shall meet the audit firm of the Company at least twice a year; and
- (ii) the Committee shall consider any significant or unusual matters that are, or shall be, reflected in these reports and accounts and shall also consider any matters brought up by accounting and financial reporting staff of the Company or audit firm.

(5) to review the financial control, internal control and risk management systems of the Company:

- (i) to review the financial controls of the Company, and to review the risk management and internal control systems of the Company;

- (ii) to discuss the internal control system with the management and ensure that management has fulfilled its responsibilities in establishing an effective internal control system. The discussion shall cover whether the Company possesses adequate resources, qualification, experience in its accounting and financial reporting functions, as well as whether the training programmes undertaken by staff and the relevant budget are sufficient;
- (iii) 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 of directors;
- (iv) to review the financial and accounting policies and practices of the group;
- (v) to review the audit notes provided to the management by external audit firm, any material enquiry raised by audit firm to management on accounting records, financial accounts or control system and feedbacks of the management;
- (vi) to ensure the board of directors responds in a timely manner to matters raised in the audit notes provided to the management by the external audit firm;
- (vii) to report to the board of directors on matters relating to corporate governance; and
- (viii) to review the internal control self-assessment report.

(6) to meet at least quarterly;

(7) to ensure coordination between the work of internal and external audit firm, and to ensure the internal audit function has adequate resources and appropriate standing within the Company, as well as to review and monitor its effectiveness;

(8) to act as the primary liaison between the Company and the external audit firm, overseeing the relationship between them; and

(9) other powers delegated by the board of directors.

**Article 11**

The following matters shall be submitted to the board of directors for deliberation upon the approval of a majority of all members of the Committee:

- (1) to disclose financial information in financial accounting reports and periodic reports, and internal control evaluation reports;
- (2) to employ or dismiss the accounting firm undertaking the Company's audit engagement;
- (3) to appoint or dismiss the Company's chief financial officer;
- (4) to amend accounting policies or accounting estimates, or to correct material accounting errors, for reasons other than changes in accounting standards;
- (5) other matters stipulated by laws, administrative regulations, securities regulatory authorities, and the Articles of Association.

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

**Article 12**

The working team under the Committee shall facilitate preparatory work for the decision-making of the Committee, provide meeting materials for the Committee, and submit them for the Committee's review.

**Article 13**

The Committee shall convene meetings based on materials submitted by the working team, conduct discussions, and submit the outcomes of such discussions to the board of directors.

## **CHAPTER 5 RULES OF PROCEDURES**

**Article 14**

The Committee meetings are classified into periodic meetings and extraordinary meetings. Periodic meetings shall be held on a quarterly basis. The convener of 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 member to preside over the meeting.

**Article 15**

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 5 days from the date of the matter incurred:

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

The working team 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 5 days before the meeting. However, the aforementioned notification period may be exempted upon unanimous consent of all members.

**Article 16**

Notice of meetings may be delivered by special person, fax, post (including electronic mail) or by other means prescribed in the Articles of Association.

**Article 17**

Notice of meetings shall include:

- (1) the venue, date, time and manner of convening the meeting;
- (2) the agenda and matters for discussion;
- (3) the date of dispatch of the notice.

**Article 18**

The members of the Committee shall attend meetings in person. 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 director member shall entrust another independent director member to attend the meeting on his/her behalf when he/she fails to attend such meeting in person.

Where a committee member fails to attend two consecutive committee meetings in person, without delegating attendance to another committee member or submitting written comments prior to the meeting, such member shall be deemed unable to fulfil his/her committee duties. The board of directors may then adjust the committee membership in accordance with the procedures as set out in these rules.

**Article 19**

Any meeting of the Committee shall not be held unless over two thirds of the members attend. Each member shall have one vote.

**Article 20**

Meetings of the Committee shall be convened as on-site meetings. If a member participates in the on-site meeting through video, telephone or similar communication equipment, as long as he/she can make himself/herself heard by the other members at the meeting and can communicate with them, all participating members shall be deemed to be present at the meeting in person.

**Article 21**

Voting at on-site meetings of the Committee may be conducted by a show of hands or poll. If a member attends an on-site meeting of the Committee through video device, telephone or similar communication device, his/her verbal voting made through video device or telephone or with similar communication device shall be deemed as valid, and such member shall affix the written signature and express the original vote to the Company as soon as possible after the meeting. The verbal voting shall have the same effect as the written signatures, provided that there is no discrepancy between the opinions expressed by such member in completing the written signatures and the opinions orally expressed by him/her during the meeting. The verbal voting shall prevail if there is a discrepancy between the written signature and verbal voting.

**Article 22**

On the condition of ensuring that members can fully express their opinions, the meetings of the Committee can be convened by way of voting via communication device and transfer of resolutions for signing instead of on-site meeting. The resolutions voted via communication device shall be served to each member of the Committee through one of methods like service by special person, mail, fax, and email.

**Article 23**

A resolution of the meeting shall be passed by more than half of the members.

**Article 24** The convening procedure, voting method of the meeting of the Committee and the resolutions passed at the meeting shall comply with relevant laws and regulations, the Articles of Association and these rules.

**Article 25** Where any member of the Committee has a conflict of interest with matters under discussion at a meeting, such member shall recuse himself/herself. Should the recusal prevent the formation of valid deliberative opinions, the relevant matters shall be directly deliberated by the board of directors.

**Article 26** Every meeting of the Committee shall have minutes recorded. All the members present at the meeting shall sign the minutes. The minutes shall be properly saved as important documents of the Company.

**Article 27** The resolutions passed by the meeting of the Committee and the voting results thereof shall be submitted to the board of directors of the Company in written form.

**Article 28** All attendees of meetings shall maintain confidentiality regarding matters discussed therein and shall not disclose relevant information without authorization. Should any breach of confidentiality obligations occur, the personnel concerned shall bear legal liability in accordance with laws, regulations, normative documents, the Articles of Association, and relevant confidentiality agreements.

**Article 29** The secretary to the board of directors of the Company shall serve as the secretary to the Committee. The secretary to the board of directors shall be present at meetings of the Committee. In the absence of the secretary to the board of directors, the members present shall elect one member of the working team to serve as the secretary to the Committee.

## CHAPTER 6 COORDINATION AND COMMUNICATION

**Article 30** In case of the Committee's significant or special matters requiring the consideration of the board of directors during its adjournment, the Committee can submit written report to the board of directors through the secretary of the board of directors, and can suggest the chairman of the board of directors convening meeting of board of directors for discussion.

**Article 31** The written report submitted to the board of directors by the Committee shall be signed and released by the convener or the member authorized by the convener, and shall be submitted to the board of directors through the secretary of the board of directors.

**Article 32** Any written report submitted by senior executives to the Committee shall be signed and released by the chairman of the board of directors or senior executives authorized by the chairman of the board of directors and responsible of relevant matters, and shall be submitted to the Committee through the secretary of the board of directors.

## **CHAPTER 7 SUPPLEMENTARY PROVISIONS**

**Article 33** Save otherwise specified, the terms used in these rules of procedures shall have the same meanings as identical terms in the Articles of Association.

**Article 34** These rules of procedures shall come into effect after being considering and approving by the board of directors.

**Article 35** For any matters not covered by these rules of procedures or contravening the related laws and regulations, and normative documents of the PRC, the relevant requirements of the Hong Kong Stock Exchange and the provisions of the Articles of Association, the related laws and regulations, and normative documents of the PRC, the relevant requirements of the Hong Kong Stock Exchange and the provisions of the Articles of Association shall prevail.

**Article 36** These rules of procedures shall be subject to the interpretation of the board of directors.

Board of Directors  
**Beijing Chunlizhengda Medical Instruments Co., Ltd.\***  
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\* For identification purpose only