



## **Jiangsu Recbio Technology Co., Ltd.**

### **江蘇瑞科生物技術股份有限公司**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2179)**

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD**

### **Chapter 1 General Provisions**

**Article 1** Pursuant to the Company Law of the People's Republic of China (hereinafter referred to as the "**Company Law**"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**Listing Rules**"), the Corporate Governance Code under Appendix 14 to the Listing Rules and other laws, regulations and normative documents including A Guide for Effective Audit Committees published by the Hong Kong Institute of Certified Public Accountants, and the Articles of Association of Jiangsu Recbio Technology Co., Ltd. applicable after the issuance of H shares (hereinafter referred to as the "**Articles of Association**"), Jiangsu Recbio Technology Co., Ltd. (hereinafter referred to as the "**Company**") has, according to the resolution of the board of directors of the Company (hereinafter referred to as the "**Board**"), decided to set up an audit committee of the Board (hereinafter referred to as the "**Audit Committee**" or "**Committee**"), and hereby formulates the Terms of Reference of the Audit Committee of the Board of Jiangsu Recbio Technology Co., Ltd. (hereinafter referred to as the "**Terms of Reference**") by taking into account the Company's actual conditions, in an effort to strengthen the decision making function of the Board of the Company, continually improve the construction of the Company's internal control system, ensure the Board's effective supervision and management and further enhance the legal person governance structure of the Company.

**Article 2** The Audit Committee is a specialised working body under the Board of the Company in accordance with Articles of Association, which is principally responsible for reviewing the Company's financial position and financial information, making judgments on the truthfulness, completeness and accuracy of the financial information, and inspecting the implementation and performance of the internal control system. It is also mainly responsible for the communications between the Company and the external auditor and its supervision and review, overseeing internal audit, evaluating and improving the Company's internal control system, and making recommendations on the same, as well as conducting risk assessment on the Company's major investment projects in operation. The Audit Committee shall report to the Board.

## Chapter 2 Composition of the Committee

**Article 3** The Audit Committee shall comprise at least three directors. All members of the Committee shall be non-executive directors of the Company, and the majority of the members of the Committee shall be independent non-executive directors of the Company. The chairman of the Audit Committee shall be an independent non-executive director.

Members of the Audit Committee shall have certain working experience in financial, accounting, auditing and legal works, and have relevant professional expertise or working experience. At least one of the members of the Audit Committee shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Partners of the existing external audit firm engaged by the Company shall be prohibited from acting as a member of the Audit Committee for a period of two years from the date of the person ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is the latter.

**Article 4** Members of the Audit Committee shall be nominated by the chairman of the Board or the Nomination Committee of the Board, and shall be elected by more than half of directors of the Board. The newly-appointed members of the Committee shall take offices immediately after the conclusion of the meeting of the Board upon approval of the proposal for such election.

**Article 5** The Audit Committee shall have a convener, namely chairman of the Committee, who shall be an independent non-executive director of an accounting professional. The chairman of the Committee shall be appointed by the Board and shall oversee the operation of the Committee. Where the chairman of the Committee is unable to or fails to perform his/her duties, an independent non-executive director shall be elected by at least one half of the members of the Committee to act in his/her stead.

**Article 6** The term of office of the Audit Committee shall be consistent with that of the Board. Each member of the Committee shall be eligible for re-election upon the expiry of his/her term of office. During his/her term of office, if any Committee member ceases to be a director of the Company, or any Committee member as an independent non-executive director ceases to have the independence as required under the Articles of Association and the Listing Rules, his/her membership in the Committee shall lapse automatically. A member of the Audit Committee may submit his/her resignation report in writing to the Board prior to the expiry of his/her term of office to resign from his/her existing position. The resignation report shall contain such reasons for resignation and matters which need attention of the Board of the Company as necessary. Upon the loss of qualification or permission to resign of member(s) of the Audit Committee, the position(s) vacated by such member(s) shall be filled by the Board according to the relevant laws, regulations, normative documents and the provisions of Articles 3 to 5 as set forth in the above. The substitute member(s) shall hold office until the expiry of his/her term

of office as a director or independent non-executive director. A member of the Committee shall not, before the expiry of his/her term of office, be relieved of his/her duties without cause except under circumstances as specified in the Company Law, the Articles of Association or the Listing Rules that prevent such member from holding the office.

**Article 7** Apart from directors' remuneration and disbursement, the members of the Audit Committee shall not directly or indirectly charge the Company in terms of consulting fee, advisory fee or other kinds of rewards for such membership.

### **Chapter 3 Duties and Authorities**

**Article 8** The major duties of the Audit Committee include:

- (1) to monitor and review the performance of the external audit firm, submit opinion of the audit work conducted by the external audit firm during the year to the Board, and make recommendations to the Board in respect of the appointment, reappointment and removal of the external audit firm, approve the remuneration and terms of engagement of the external audit firm, and deal with any matters related to the resignation or dismissal of the external audit firm;
- (2) to act as the Company's representative in liaising with the external audit firm, communicate between the Company's internal audit department and external audit firm, including review and examination of the independence and objectivity of the external audit firm and the effectiveness of the audit process in accordance with applicable standards; and, prior to the commencement of any auditing procedures, discuss with the external audit firm the nature, scope and method of audit and the reporting obligations during the year, and negotiate with the external audit firm to determine the schedule of auditing the financial report of the year, as well as oversee the external audit firm to submit audit reports within the predetermined timelines and so forth. If more than one external audit firm is involved in the audit, the Committee shall make sure they coordinate with each other;
- (3) to, on an as-needed basis, formulate and implement policy on engaging an external audit firm (including its affiliates) to supply non-audit services. The Audit committee shall report and make recommendations to the Board if any actions or remedial measures are considered necessary;

For this purpose, the affiliates of the external audit firm shall include any entity that is under common control, management or ownership with the external audit firm engaged by the Company or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the external audit firm engaged by the Company nationally or internationally. The Audit Committee shall ensure that the provision of non-audit services by the external audit firm will not compromise its independence or objectivity.

- (4) to review the Company's accounting policies, financial position, financial reporting procedures and financial controls; to review the integrity, accuracy and fairness of the Company's financial statements, quarterly (if any), interim and annual reports and accounts and review significant financial reporting judgements contained therein, as well as the disclosure of the Company's financial information. Before submitting relevant statements and reports to the Board, the review shall focus particularly on the following: (i) any changes in accounting policies and estimates during the reporting period; (ii) any issue involving major judgments; (iii) such significant adjustments, if any, to be made as shall be requested by the external audit firm upon completion of audit; (iv) the going concern assumptions or any qualified opinion; (v) compliance with accounting standards; and (vi) compliance with provisions relating to financial reporting under the Company Law, the Listing Rules and other applicable laws and regulations;

Regarding the above items that shall draw particular focus in the reviewing process, the members of the Audit Committee shall liaise with the Board, senior management and internal and external auditors in a timely manner. Members of the Audit Committee shall meet with the external audit firm at least twice a year. Members of the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the Company's reports and accounts, and shall give due consideration to any matters that have been raised by the Company's accounting and finance department, compliance department or auditors;

- (5) to discuss questions and doubts raised by the external audit firm upon its completion of reviewing the interim accounts and of auditing the annual accounts of the Company and any other matters that the external audit firm may wish to discuss (in the absence of management if necessary);
- (6) to examine the Company's financial policies, internal audit system, internal control system and risk management system and provide opinions and recommendations for improvements, and:
  1. review the Company's financial monitoring and control, accounting policies, practices and any relevant changes, and review the Company's risk management and internal control system;
  2. monitor the process of compiling the regular financial reports (quarterly reports, if any, interim financial reports and annual financial reports), and review the relevant information including the regular financial reports and financial results announcements;
  3. discuss with the management and examine the financial control, internal control and risk management system, to ensure that the management has performed its duties in establishing an effective financial control, internal control and risk management system; discussions shall include the adequacy of resources, staff qualifications and experience, training program and budget of the Company's accounting and financial reporting function;

4. consider major investigation findings on risk management and internal control matters and relevant measures taken by the management on its own initiative or as delegated by the Board and the management's response to these findings;
  5. ensure co-ordination between the internal audit department of the Company and external audit firm, and ensure that the internal audit department of the Company is adequately resourced and has appropriate authorities and standing within the Company, and review and monitor its effectiveness;
  6. review the operating, financial and accounting policies and practices of the Company and its subsidiaries;
  7. review the external audit firm's letter of audit or proposals to management, any material queries raised by the external audit firm to the management about accounting records, financial accounts or control system, and management's response;
  8. ensure the Board's timely provision of response to the issues raised in the external audit firm's letter of audit or proposals to management;
  9. act as the key representative for overseeing the Company's relationship with the external audit firm;
  10. review the corporate governance policy and practices of the Company and make recommendations to the Board in respect thereof;
  11. supervise the work of the internal audit department of the Company, and provide opinions and recommendations on the appraisal and change of persons in charge of the internal audit department;
  12. monitor against any possible improprieties of the employees of the Company in financial reporting, internal control or other matters;
  13. review the Company's compliance with the Corporate Governance Code and its disclosure in the Corporate Governance Report;
  14. report matters related to the above to the Board, and consider such other matters as arranged by the Board; and
  15. report to the Board on the matters specified in Code Provision D.3.3 of the Corporate Governance Code and the Corporate Governance Report under Appendix 14 to the Listing Rules.
- (7) to establish relevant procedures and ensure the impartial and independent investigation and resolution of the following matters:
1. to receive and handle complaints about the Company's accounting, internal control or auditing, and ensure its confidentiality;

2. to receive and handle the complaints or anonymous whistle-blowing by employees concerning the irregularities in the Company's accounting, auditing, internal control or any possible improprieties in other aspects, and ensure its confidentiality; to review the procedure according to which the employees of the Company can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence, and ensure that proper arrangements are in place for fair and independent investigation on these matters and for appropriate follow-up actions by the Company;
- (8) to complete other tasks assigned by the Board;
- (9) to discharge other duties imposed by the laws, regulations and normative documents, regulatory bodies including The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong, as well as the Articles of Association and the rules of procedures of the Board.

The senior management and relevant departments of the Company shall be cooperative and supportive to the Audit Committee and shall take the initiatives in providing relevant information. The finance department shall regularly and faithfully provide financial and accounting information including financial reports and capital operation reports to the Audit Committee. It shall report, on a timely manner, significant business operating activities, take the initiatives in cooperating with the Audit Committee in its work, and listen carefully to the recommendations provided and requests made by the Audit Committee.

**Article 9** The Audit Committee shall be accountable to the Board. Its proposals shall be submitted to the Board for the Board's consideration and decision. The Audit Committee shall cooperate with the supervisory committee in supervising and auditing activities.

**Article 10** The chairman of the Audit Committee is primarily authorized:

- (1) to convene and preside over meetings of the Audit Committee;
- (2) to oversee the daily operation of the Audit Committee;
- (3) to review and sign the reports and other important documents of the Audit Committee;
- (4) to check the implementation of the resolutions and proposals of the Audit Committee;
- (5) to report to the Board on behalf of the Audit Committee;
- (6) such other duties that shall be performed by the chairman of the Audit Committee.

- Article 11** The internal audit department of the Company shall report to the Audit Committee. The auditing reports, rectification plans and results of auditing shall also be submitted to the Audit Committee at the same time.
- Article 12** The Audit Committee shall pay attention to the deposit and use of the funds raised by the Company, and shall listen to the report on examination results of internal audit department.
- Article 13** The Audit Committee shall report to the Board of Directors and make recommendations on any measures or improvements they consider necessary.
- Article 14** The Audit Committee shall make available its Terms of Reference explaining its role and the authority delegated to it by the Board on The Stock Exchange of Hong Kong Limited's website and the Company's website.

#### **Chapter 4 Rules of Procedures**

- Article 15** Meetings of the Audit Committee include regular meetings and interim meetings.
- Regular meetings of the Audit Committee shall be held at least twice a year, for discussing opinions and recommendations to be submitted to the Board. The Audit Committee shall review and discuss the interim and annual financial statements of the Company during the two regular meetings each year.
- The chairman of the Audit Committee may convene an interim meeting of the Committee at his/her own discretion or at the request of the independent auditor or the internal auditor; an interim meeting of the Committee may be convened upon the proposal of at least half of the members of the Committee or the recommendation of the Chairman of the Board.
- Article 16** Meetings of the Audit Committee shall be convened by the chairman of the Committee. Notice of meeting, signed by the chairman of the Committee, and materials for meeting, excluding the date of meeting, shall be delivered to all members of the Committee three days prior to the meeting. Upon unanimous consent of all members of the Committee, the requirement on such prior notice period may be exempted.
- Article 17** Meetings of the Audit Committee shall be presided over by the chairman of the Committee, in whose absence an independent non-executive director who is authorized by the chairman of the Committee may preside over the meeting in his/her stead. Interim meetings shall not be subject to the above notice period.
- Article 18** The quorum for meetings of the Audit Committee shall be at least two thirds of the total members of the Committee, one of whom shall be an independent non-executive director. Members who cannot attend a meeting may authorize, in writing, other members to attend and vote on his/her behalf. The form of proxy, containing the name of the proxy, the matters delegated, the scope of authorization and the validity period of such authorization, and signed or stamped by the appointer, shall be submitted to the chairman of the meeting no later than the time when voting takes place.

Resolutions proposed at a meeting shall be passed by the affirmative votes of more than half of the members of the Committee. The respective resolutions or opinions shall be signed by members of the Audit Committee present at such meeting. Each member of the Committee shall have one vote. Voting decisions include “For”, “Against” and “Abstention”. Where the respective votes for and against a resolution are equal in number, the chairman of the Committee shall be entitled to have a casting vote.

**Article 19** Meetings of the Audit Committee may be in such appropriate forms as on-site meetings, telephone conference, video conference, circulation of documents, fax, mail etc.

**Article 20** The person-in-charge of the internal audit department may attend a meeting of the Audit Committee as an observer. Where necessary, a director, supervisor and senior management of the company may also be invited to attend a meeting of the Committee as an observer, but have no right to vote if he/she is not a member of the Committee.

**Article 21** The Company shall provide sufficient resources to the Audit Committee to perform its duties. The budget of expenses of the Audit Committee is included as part of the budget of the Company. In performing its duties, the Audit Committee may, where necessary, engage professionals including lawyers, certified public accountants, and certified auditors etc. to provide professional opinions on its decision-making. Reasonable expenses incurred therefrom shall be borne by the Company.

**Article 22** The convening procedures, voting method and approved proposals of the meetings of the Audit Committee shall comply with relevant laws and regulations, the Articles of Association, the Listing Rules and the Terms of Reference.

**Article 23** Full minutes of meetings of the Audit Committee shall be prepared, on which members present at the meeting shall sign. Minutes of meetings of the Committee shall be kept by the secretary to the Board of the Company. Draft and final versions of minutes of meetings of the Committee shall be circulated to all members of the Audit Committee within a reasonable time after the meetings, for their comment and records respectively. Resolutions passed by the meeting of the Committee and the voting results shall be reported in writing to the Board.

**Article 24** The minutes of the Audit Committee meetings shall include, as a minimum, the followings: the date, venue and name of convener of the meeting; the names of the attendees with specific notes on whether a proxy is entrusted for the meeting; the meeting agenda; the key points of the members’ speeches; the voting method and poll results for each resolution or proposal; other matters need to be indicated and recorded in the meeting minutes.

**Article 25** Members present at meetings of the Committee, and those present as observers, shall owe a duty of confidentiality as regards matters discussed during such meetings. No unauthorised disclosure of such information shall be allowed, save as is otherwise stipulated under relevant laws, regulations and/or rules of regulatory bodies.

## Chapter 5 Supplementary Provisions

- Article 26** “At least” and “within” as referred in the Terms of Reference includes the number, and the words “more than half” does not include the number itself.
- Article 27** The Terms of Reference have been approved by the Board upon consideration and shall become effective and come into force from the date on which the overseas-listed foreign shares (H shares) in the Company’s initial public offering are listed for trading on The Stock Exchange of Hong Kong Limited.
- Article 28** Any matters not covered herein shall be implemented in accordance with the relevant laws and regulations, departmental rules, relevant regulatory provisions of the place(s) where the shares of the Company are listed including the Listing Rules and the Articles of Association. Where the Terms of Reference conflict with any relevant laws and regulations, departmental rules, relevant regulatory provisions of the place(s) where the shares of the Company are listed including the Listing Rules, or the Articles of Association, such relevant laws and regulations, departmental rules, relevant regulatory provisions of the place(s) where the shares of the Company are listed including the Listing Rules, and the Articles of Association shall prevail, in which case the Terms of Reference shall be amended forthwith and submitted to the Board for consideration and approval.
- Article 29** Interpretation of the Terms of Reference shall be done by the Board.