

# **Terms of Reference and Rules of Procedure for the Audit Committee under the Board of Suzhou Ribo Life Science Co., Ltd.**

## **Chapter 1 General Provisions**

**Article 1** In order to establish and regulate the audit systems and procedures of Suzhou Ribo Life Science Co., Ltd. (hereinafter referred to as the “**Company**”), enhance the decision-making function of the board of directors (hereinafter referred to as the “**Board**”), ensure the Board’s effective supervision over the management and improve the corporate governance structure, the Audit Committee (hereinafter referred to as the “**Committee**”) under the board of directors of the Company is established with these Terms of Reference and Rules of Procedure for the Audit Committee under the Board of Suzhou Ribo Life Science Co., Ltd. (hereinafter referred to as these “**Terms**”) in accordance with the Company Law of the People’s Republic of China and other relevant laws, administrative regulations and normative documents (collectively referred to as the “**National Laws and Regulations**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Hong Kong Listing Rules**”) and the Articles of Association of Suzhou Ribo Life Science Co., Ltd. (hereinafter referred to as the “**Articles of Association**”).

**Article 2** The Committee is a special body under the Board and is mainly responsible for the coordination between internal and external auditors, supervision and inspection of their work as well as the risk management and internal control of the Company.

**Article 3** The Committee shall be accountable to and report to the Board.

**Article 4** These Terms shall apply to the Committee and the persons and departments involved.

## **Chapter 2 Composition of the Committee**

**Article 5** The Committee shall consist of at least three directors. All Committee members shall be non-executive directors, with a majority of them being independent non-executive directors. All members shall possess professional financial or legal knowledge and commercial experience necessary for the performance of their duties. The Committee must include at least one independent non-executive director who has appropriate professional qualifications or appropriate accounting or related financial management expertise, as required by Hong Kong Listing Rules in respect of the qualifications of financial professionals on the audit committee.

The member possessing “appropriate accounting or related financial management expertise” shall have, through experience as a public accountant or auditor or as a chief financial officer, controller or principal accounting officer of a public company or through performance of similar functions, experience with internal controls and in preparing or auditing comparable financial statements or experience in reviewing or analyzing audited financial statements of public companies. It is the responsibility of the Board to determine on a case-by-case basis whether the candidate is suitable for the position. In making its decision, the Board must evaluate the totality of the individual’s education and experience.

The Board shall evaluate the independence and performance of the members of the Committee on a regular basis, and replace any member who is not suitable to remain in the position when necessary. Former partners of the existing external auditor engaged by the Company shall be prohibited from acting as members of the Committee for a period of two years from the date of the person ceasing to be a partner of the existing external auditor or to have any financial interest in the existing external auditor, whichever occurs later.

**Article 6** Members of the Committee shall be nominated by the chairman of the Board, half or more of the independent non-executive directors or one-third or more of all directors and appointed by the Board upon approval by over half of the directors.

**Article 7** The Committee shall have a chairman, whose office shall be held by an independent non-executive director. The chairman is responsible for taking charge of the work of the Committee. The chairman shall be nominated by the chairman of the Board of the Company and appointed upon approval of the Board.

**Article 8** The term of office of the Committee shall be the same as that of the Board, and the term of office of a Committee member shall be the same as his/her term of office as a director. Committee members may be re-elected upon expiration of their terms of office. If any Committee member ceases to be a director of the Company or any member who is an independent non-executive director no longer meets relevant independence requirements as set out in the Hong Kong Listing Rules during his/her term of office, his/her membership in the Committee shall terminate automatically, and the vacancy shall be filled by a person elected by the Board in accordance with these Terms.

**Article 9** A Committee member may tender his/her resignation to the Board during his/her term of office by giving a resignation to explain the reasons for resignation and other matters that need to be brought to the attention of the Board. If the number of members falls below the minimum number as provided herein, the resigning member shall continue to perform his/her duties until a new member is appointed to fill the vacancy.

**Article 10** The Committee members may be changed during their terms of office if such change is proposed by the chairman of the Board and approved by the Board after discussion.

**Article 11** Where the composition of the Committee fails to satisfy the requirements specified in these Terms, the Board shall, according to the Hong Kong Listing Rules, promptly state relevant details and reasons by announcement, and fill the vacancy according to these Terms within three months from the date on which the relevant requirements fail to be satisfied. The term of office of the new member shall terminate at the end of his/her term of office as a director.

**Article 12** With the coordination of the office of the Board, the audit department of the Company shall act as the executive body of the Committee to provide support and services and perform duties assigned by the Committee.

### **Chapter 3 Responsibilities of the Committee and Its Members**

**Article 13** The Committee, on behalf of the Board, shall conduct an independent assessment and supervision of the compliance, legality and efficiency of the operation of the Company. The Committee primarily assumes the following responsibilities:

- (1) to make 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 to handle issues in relation to its resignation or dismissal;
- (2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature, scope and method of the audit and reporting responsibilities before the audit commences. The Committee shall meet the external auditor at least once a year without the presence of the management of the Company for the discussion of audit fees, any issues arising from the audit and any other matters the auditor may wish to raise;
- (3) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, an 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (4) to monitor the integrity of the financial statements, annual reports and accounts, half-year reports and quarterly reports (if any) of the Company, and to review significant financial reporting judgments contained in them. Special attention should be paid to any frauds, malpractices and material misstatements in relation to the financial statements and reports. In reviewing the annual reports and accounts, half-year and quarterly reports of the Company before submission to the Board, the Committee should focus particularly on the following matters:
  1. any change in accounting policies and practices;
  2. major judgmental areas;
  3. significant adjustments resulting from audit;
  4. the going concern assumption and any qualifications;
  5. compliance with accounting standards;
  6. compliance with the Hong Kong Listing Rules and other legal requirements in relation to financial reporting.

Regarding paragraph (4) above:

1. members of the Committee shall liaise with the Board and senior management of the Company. The Committee shall meet with the external auditor of the Company at least twice a year;
2. the Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and it shall give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or the auditors of the Company;

- (5) to review the financial control, internal control and risk management system of the Company;
- (6) to discuss the risk management and internal control system with management to ensure that the management has performed its duty to have an effective risk management and internal control system. Considerations should be given to, among others, the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (7) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (8) to monitor the internal audit system of the Company, to ensure that the internal audit system is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit system;
- (9) to facilitate communication between the internal audit department and the external auditor so as to coordinate their work;
- (10) to review the financial and accounting policies and practices of the Company;
- (11) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (12) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (13) to review the following arrangements of the Company: the employees of the Company can, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for the Company to conduct fair and independent investigations and to take necessary follow-up actions accordingly;
- (14) to act as the key representative for overseeing the relationship between the Company and the external auditor;
- (15) to review the risk management strategies and solutions for major risk management issues;
- (16) to verify the list of connected persons (as defined in the Hong Kong Listing Rules) of the Company, to conduct an overall audit of all connected transactions and regular review of connected transactions of the Company, including a review of the decisions on connected transactions of the Company and their implementation within ten days following the end of each half-year period, and a general review of all connected transactions of the Company within 30 days following the end of each half-year period. The Committee shall report to the Board and the supervisory committee the results of such reviews;

- (17) to assess and identify the environmental, social and governance risks of the Company, and to ensure the establishment of an appropriate and effective control system for environmental, social and governance risks and internal control system;
- (18) to report to the Board on the matters required by these Terms;
- (19) to deal with other matters as authorized by the Board of the Company and as required by the National Laws and Regulations;
- (20) to perform other duties of the Committee as required by the Hong Kong Listing Rules, as revised from time to time.

**Article 14** The chairman of the Committee assumes the following responsibilities:

- (1) to convene and preside over meetings of the Committee;
- (2) to supervise and examine the performance and implementation of the resolutions of the Committee;
- (3) to sign the relevant documents of the Committee;
- (4) to report the work of the Committee to the Board of the Company;
- (5) to attend the Company's annual general meeting and answer shareholders' questions about the Committee's duties. If the chairman of the Committee is unable to attend the annual general meeting, any other member or duly appointed representative shall attend the meeting on his/her behalf;
- (6) to perform other duties as required or delegated by the National Laws and Regulations, the Hong Kong Listing Rules, these Terms and the Board.

**Article 15** A Committee member primarily assumes the following responsibilities:

- (1) to attend meetings of the Committee punctually, and express opinions on the matters discussed and exercise voting rights at the meetings;
- (2) to submit proposals for discussion at the meetings of the Committee;
- (3) to attend or observe relevant meetings of the Company, conduct studies and research, and obtain reports, documents, materials and other relevant information necessary for the performance of his/her responsibilities;
- (4) to fully understand the responsibilities of the Committee and his/her role as a member of the Committee, and acquaint himself/herself with the operation and management, business activities and development of the Company to ensure his/her capability for the performance of responsibilities;
- (5) to ensure that he/she has devoted sufficient time and attention to fulfil his/her responsibilities;

- (6) to perform other powers and responsibilities as prescribed by the National Laws and Regulations, the Hong Kong Listing Rules, these Terms and the Board.

**Article 16** The Committee should be provided with sufficient resources to perform its duties.

**Article 17** The Committee should make available its terms of reference explaining its role and the authority delegated to it by the Board on the websites of The Stock Exchange of Hong Kong Limited and the Company.

## **Chapter 4 Meetings of the Committee**

**Article 18** Meetings of the Committee shall be classified as regular meetings and extraordinary meetings.

**Article 19** The Committee shall hold at least two regular meetings every year, and the written notice of the meeting shall be served on all members three days prior to such meeting. One of the regular meetings shall be held before the review of the annual report by the Board every year.

**Article 20** The Committee may convene extraordinary meetings when necessary. The chairman of the Committee shall issue a written notice to convene a meeting within three days from the date of the actual occurrence of any of the following circumstances:

- (1) where the Board deems it necessary;
- (2) where the chairman of the Committee deems it necessary;
- (3) where it is proposed by two or more members of the Committee.

The external auditor of the Company may request the holding of an extraordinary meeting if it deems necessary.

**Article 21** The audit department shall serve the notice of the meeting in writing on each of the Committee members and relevant persons being invited to attend the meeting as observers three days prior to the date of the meeting (except in special circumstances where the requirement of prior notice is exempted, provided that the chairman of the meeting shall explain at the meeting). The notice of the meeting shall contain information on the form, time, venue, duration and agenda of the meeting, time of issuance of the notice, name and contact information of the contact person of the meeting and other relevant information.

The audit, finance, and legal departments of the Company, along with the office of the Board, shall prepare and provide the Committee with relevant materials for discussion, and liaise with all involved parties, including the Company's experts, external specialists, scholars, and intermediaries engaged by the Committee during the meeting.

**Article 22** Upon receipt of the notice of the meeting, all Committee members shall promptly provide confirmation and relevant replies (including but not limited to the confirmation of attendance and itinerary arrangements) through appropriate means.

**Article 23** All members of the Committee shall attend the meeting in person. If a member is unable to attend the meeting in person for any reason, such member shall, by signing and submitting a proxy form, authorize another member of the Committee to attend and express opinions at the meeting on his/her behalf. Such proxy form shall expressly state the scope and term of the authorization. Each member may appoint only one other member as his/her proxy to exercise the voting right on his/her behalf for each meeting. Where a member authorizes two or more other members to exercise the voting right on his/her behalf, such authorization shall be invalid. In addition, no member shall accept any such authorization from two or more other members concurrently.

The members attending a meeting on behalf of another member shall exercise the rights within the scope of authorization. If a member does not attend a meeting in person or authorize another member of the Committee to exercise the rights on his/her behalf, nor does he/she submit any opinion in writing prior to the meeting, he/she shall be deemed to have waived his/her rights.

A member who is unable to attend a meeting in person may also exercise his/her rights by submitting his/her opinions in writing with respect to any matter on the meeting agenda, provided that such written opinions shall be submitted to the audit department in any event no later than the commencement of the meeting.

**Article 24** If a member fails to attend meetings of the Committee in person or authorize another member to attend such meetings on his/her behalf, nor does he/she submit any opinion in writing prior to the meetings on two consecutive occasions, or if such member fails to attend in person at least three-fourths of all meetings of the Committee held within a year, such member shall be deemed incapable of performing the duties of the Committee, and the Board may replace him/her in accordance with these Terms.

**Article 25** The quorum of a Committee meeting shall be two-thirds or more of the Committee members. Meetings of the Committee shall be presided over by the chairman of the Committee, who may appoint another member to act on his/her behalf when he/she is unable to attend the meeting. If the chairman of the Committee neither performs his/her duties nor designates another member to act on his/her behalf, any member may report the same to the Board of the Company, and the Board shall appoint another member who is an independent non-executive director to perform the duties of the chairman of the Committee.

## **Chapter 5 Procedures of Meetings**

**Article 26** Each member of the Committee shall have one vote. A resolution of the meeting shall be passed by over half of the votes of all members. In the event that the meeting fails to reach a valid resolution due to the abstention of any member, the relevant matter shall be considered directly by the Board.

**Article 27** Meetings of the Committee shall be held by way of on-site meeting, video conference or teleconference in principle. Should it be impracticable to hold an on-site meeting, video conference or teleconference in case of emergency, force majeure or other special circumstances, an extraordinary meeting may be held by means of written communication. Where a meeting is conducted by means of written communication, the Committee members shall submit to the Board their written opinions with respect to the matters to be discussed within the period specified in the notice of the meeting.

**Article 28** Voting at the meetings of the Committee shall be conducted by a show of hands or by poll. Where any member cannot sign the resolutions from a teleconference or video conference in real time, he/she may first express his/her opinions orally and provide his/her written signature to that effect as soon as possible, provided that there is no discrepancy between the opinions expressed orally during the meeting and those later signed in writing.

**Article 29** All matters on the agenda shall be discussed during the meeting of the Committee, and the Committee members shall explicitly, independently and fully express their opinions based on their own judgment. Any disagreement shall be recorded in the meeting minutes to be presented to the Board.

**Article 30** The Committee may invite directors, supervisors, relevant senior management and relevant experts of the Company, external experts, scholars, intermediary agencies and relevant persons to attend the meeting as observers . Those invited shall give explanations and elaborations on any matters as requested by any Committee member.

**Article 31** Where it deems necessary, the Committee may, upon approval of the Board, seek professional advice from external professionals or organizations. Any reasonable cost so incurred shall be borne by the Company.

**Article 32** If a member of the Committee is interested in any matter being considered by the Committee, such member shall abstain from the discussion and voting of such matter.

**Article 33** All persons attending the Committee meetings shall keep all matters discussed at the meetings confidential and shall not disclose any such information without authorization.

## **Chapter 6 Minutes and Summary of the Committee Meetings**

**Article 34** Minutes shall be kept for all meetings of the Committee, which shall be prepared by the audit department and shall contain the following information:

- (1) serial number, form, date, venue and name of the chairman of the meeting;
- (2) attendance and absence of members in person and by proxy;
- (3) name and title of each attendee;
- (4) agenda of the meeting;
- (5) main points made by the Committee members and other relevant attendees;
- (6) name of the minutes taker;
- (7) abstention of any interested member (if any), which shall be specified in the minutes or the relevant resolutions.

All Committee members present at the meeting shall sign the minutes, which shall be delivered to all members of the Committee within a reasonable period of time after the meeting of the Committee for their comments.

**Article 35** After each meeting of the Committee, the audit department shall prepare a meeting summary recording the considerations and discussions of the meeting.

Copies of the meeting summary shall be submitted to the Board of the Company and sent to all Committee members, the secretary to the Board, the audit, finance and legal departments of the Company and other relevant departments and persons.

**Article 36** Meeting minutes, meeting summary, proxy forms, written opinions of the members of the Committee and other materials of the meeting of the Committee shall be kept by the office of the Board in accordance with the relevant filing system of the Company.

## **Chapter 7 Supplementary Provisions**

**Article 37** Unless otherwise stated, terms used herein shall have the same meanings ascribed to them in the Articles of Association.

**Article 38** The terms “**or more**” and “**within**” as referred to in these Terms include the given figure, and the term “**over**” does not include the given figure.

**Article 39** For any matter not covered in these Terms, or in the event of any contradiction with any national laws, administrative regulations, normative documents, relevant regulatory rules of the place(s) where the Company’s shares are listed or the Articles of Association as amended under lawful procedures promulgated after these Terms become effective, such laws, administrative regulations, normative documents, relevant regulatory rules of the listing place(s) where the Company’s shares are listed and the Articles of Association shall prevail and these Terms shall be amended in a timely manner.

**Article 40** The rights of interpretation and amendment of these Terms shall be vested in the Board of the Company.

**Article 41** These Terms have been considered and approved by the Board and shall become effective and applicable from the date of the initial public offering and listing of the Company’s H shares on The Stock Exchange of Hong Kong Limited.

**Article 42** These Terms are available in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.