



天津泰達生物醫學工程股份有限公司  
Tianjin TEDA Biomedical Engineering Company Limited  
(a joint stock company incorporated in the People's Republic of China with limited liability)  
(Stock code: 8189)

## Terms of Reference of the Audit Committee

### I. Constitution

1. The board of directors (the “**Board**”) of Tianjin TEDA Biomedical Engineering Company Limited (the “**Company**”) established the Audit Committee (the “**Committee**”) with written terms of reference on 31 July 2004 and updated its terms of reference on 8 March 2012.
2. Members of the Committee shall be appointed by the Board amongst the non-executive directors of the Company. The Committee shall consist of not less than three members and at least one member shall have the appropriate professional qualifications or accounting or related financial management expertise. A majority of members of the Committee shall be independent non-executive directors (“**INED(s)**”).
3. The Chairman of the Committee shall be appointed by the Board and should be acted by an INED.
4. A former partner of the Company’s existing auditing firm is prohibited from acting as a member of the Committee for a period of 1 year commencing on the date of his ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm.

which ever is later.

### II. Meetings Management

1. Quorum

Quorum for the meetings of the Committee shall be at least any two members with one of whom being an INED. In the absence of the Committee Chairman, the members present shall elect any member (who should be an INED) to chair the meeting.

2. Frequency of meetings

The Committee shall hold at least four (4) regular meetings in a year to review and discuss the quarterly, interim and annual financial statements of the Company. Additional meetings of the Committee may be held from time to time to discuss special projects or other issues that the Committee considers necessary. The external auditor of the Company may request a meeting if they consider that one is necessary.

### 3. Attendance at Meetings

Members of the Committee may attend meetings either in person or through other electronic means of communication. The director, company secretary, head of internal audit, relevant senior management and representative from external auditor of the Company may be invited to attend to the Committee meeting.

### 4. Notice of Meetings

Prior notice of at least 14 days shall be given for a regular meeting of the Committee. For other casual meetings of the Committee, as the case may be, reasonable notice shall be given.

### 5. Minutes of meetings

Draft and final versions of minutes of meetings shall be sent to all Committee members for their comment and records within a reasonable time after the meeting. Full minutes of meetings shall be kept by the company secretary and shall be available for inspection within reasonable terms of reference by any member of the Committee or the Board on reasonable notice.

### 6. Meeting with external auditors

The Committee should meet, in the absence of management, with the Company's external auditors at least twice a year.

### 7. Secretary of the Committee

The company secretary or his delegate or such other person appointed by the Chairman of the Committee shall be the secretary of the Committee.

## III. Responsibilities

The responsibilities and authorities of the Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code (“**CG Code**”) as contained in Appendix 15 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”), as amended from time to time. Without prejudice to any requirement under the CG Code, the duties of the Committee include the following:

#### 1. Relationship with the Company's auditors

- (1). To make recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- (2). To approve the remuneration and terms of engagement of the external auditor, and to deal with any issues of its resignation or dismissal;
- (3). To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (4). To discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (5). To develop and implement policy on engaging an external auditor to supply non-audit services. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

2. Review of the Company's financial information
  - (1). To monitor integrity of the Company's financial statement, annual report and accounts, half-year report and quarterly report, and to review significant financial reporting judgments contained therein. In reviewing these reports before submission to the Board, the Committee should focus particularly on:-
    - 1.1 any changes in accounting policies and practices;
    - 1.2 major judgmental areas;
    - 1.3 significant adjustments resulting from audit;
    - 1.4 the going concern assumptions and any qualifications;
    - 1.5 compliance with accounting standards; and
    - 1.6 compliance with the GEM Listing Rules and legal requirements in relation to financial reporting.
  - (2). regarding to each item above:
    - 2.1 Members of Committee should liaise with the Board and senior management and the Committee must meet, at least twice in each year, with the Company's auditors; and
    - 2.2 The Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

### **(III) Oversight of the Company's financial reporting system and internal control procedures**

1. To review the Company's financial controls, internal control and risk management systems;
2. To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
3. To consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
4. where internal audit function exists in the Company, to ensure co-ordination between the 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;
5. To review the group's financial and accounting policies and practices;
6. 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;
7. To ensure that the Board will provide a timely response to the issues raised in the letter from external auditor to the management;

8. To report to the Board on the matters in the provisions of the CG Code implemented or from time to time implemented by the Stock Exchange;
9. To consider other topics, as defined by the Board;
10. To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
11. To act as the key representing body for overseeing the Company's relations with the external auditor; and
12. To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

#### **IV. Authority**

1. The Committee is authorized by the Board to investigate any activity within these Terms of Reference. It is authorized to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee.
2. The Committee is provided by the Board with sufficient resources to perform its duties including authorisation to obtain legal or other independent professional advices from outsiders at the Company's expenses and to secure the attendance of these outsiders if it considers necessary

#### **V. Reporting Responsibilities**

The Chairman of the Committee shall report to the Board on its proceedings after each meetings on all matters within its duties and responsibilities of the Committee.

#### **VI. Annual General Meeting**

The chairman of the Committee or in his absence, another member of the Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Committee's work and responsibilities.