



杭州启明醫療器械股份有限公司  
Venus Medtech (Hangzhou) Inc.

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

The English version is for reference only. Should there be any inconsistency between the English and Chinese versions, the latter shall prevail.

## Chapter 1 Composition of the Audit Committee

**Article 1** The Audit Committee is a special committee under the Board.

**Article 2** The Audit Committee shall consist of at least three independent non-executive directors and/or non-executive directors, more than half of which shall be independent non-executive directors.

**Article 3** Members of the Audit Committee shall be nominated by the chairman of the Board, more than one-third of the directors or more than half of independent directors and shall be elected by the Board.

**Article 4** The Audit Committee shall have one chairman, who shall be an independent non-executive director with accounting or related financial management expertise. The chairman shall lead the Audit Committee and preside over meetings of the Audit Committee. A vice-chairman may be appointed when necessary. If the chairman fails to preside over the meeting of the Audit Committee, the vice-chairman shall preside over the meeting.

**Article 5** The Audit Committee shall have at least one independent non-executive director having the appropriate professional qualifications as provided for in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) or an independent non-executive director having the accounting or relevant financial management expertise, which means experience as a public accountant or auditor or as a chief financial officer or controller 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 analysing audited financial statements of public companies.

**Article 6** The term of office of the Audit Committee shall be the same as that of the corresponding session of the Board, and the terms of office of the members of the Audit Committee shall be the same as that of the directors.

**Article 7** A former partner of the Company’s existing auditing firm or accounting firm shall be prohibited from acting as a member of the Audit Committee of the Company for a period of two years from the date of his ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.

**Article 8** If the number of members of the Audit Committee fails to meet the requirements as provided in Article 2 and Article 4 of these rules of procedures for meetings due to their resignation, dismissal or other reasons, the Board shall promptly make an announcement to disclose the details and reasons of such failure in accordance with the requirements of the Listing Rules and appoint a new member to fill the vacancy in accordance with the provisions of Article 2 and Article 4 of these rules of procedures for meeting within three months commencing from the date of such failure. The term of office of the replacing member shall expire upon the expiry of such member’s term of office as a director.

## Chapter 2 Terms of Reference of the Audit Committee

**Article 9** The relationship between the Audit Committee and the auditors (or accountants as set forth hereinafter) of the Company shall be as follows:

- (1) The Audit Committee shall be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any issues related to its resignation or dismissal;
- (2) The Audit Committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; the Audit Committee shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (3) The Audit Committee shall develop and implement policy on engaging an external auditor to provide non-audit services. For this purpose, "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 Audit Committee shall report to the Board and making recommendations on any matters where action or improvement is needed.
- (4) The Audit Committee shall act as the key representative body for communication between the Company and the external auditor and overseeing the Company's liaison with the external auditor;
- (5) The Audit Committee shall monitor and evaluate whether the external auditors are diligent and report to the Board the relevant results on a regular basis.

**Article 10** The Audit Committee shall be responsible for reviewing the financial information of the Company, with specific duties as described below:

- (1) to monitor integrity of the Company's financial statements and annual report and accounts, interim report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these statements and reports before submission to the Board, the Audit Committee should focus particularly on:
  1. any changes in accounting policies and practices;
  2. major judgmental areas;
  3. significant adjustments resulting from audit;

4. the going concern assumptions and any qualified opinions;
  5. compliance with accounting standards;
  6. compliance with the listing rules of the stock exchange in the place where the shares of the Company are listed and other legal requirements in relation to financial reporting.
- (2) regarding the matters as mentioned in the preceding paragraph:
1. The members of the Audit Committee should liaise with the Board and senior management of the Company.
  2. The Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function or auditors.

**Article 11** The Audit Committee shall be responsible for reviewing the Company's financial reporting, risk management and internal control system, with specific duties as described below;

- (1) to review the Company's financial control, internal control and risk management system;
- (2) to discuss the risk management and internal control system with management and to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources of the accounting and financial reporting function, staff qualifications and experience, training programs and budget of the Company, and shall also:
  1. to assess the suitability of the design of the Company's risk management and internal control systems;
  2. to review the self-evaluation report on risk management and internal control;
  3. to review the audit report on internal control issued by the external auditor and communicate with the external auditor on issues discovered and the ways of improvement;
  4. to assess the results of risk management and internal control evaluation and audit, and supervise the rectification of internal control deficiencies;

- (3) consider major investigation findings on risk management and internal control matters and management's response to these findings on its own initiative or as delegated by the Board;
- (4) ensure co-ordination between the internal and external auditors, ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, review and monitor its effectiveness; and make suggestions as to the appointment and removal of the head of internal auditing department. The duties of the Audit Committee to direct internal audit work of the Company shall include the following: (i) to review the annual internal audit plan of the Company; (ii) to supervise the implementation of the Company's internal audit plan; (iii) to review internal audit reports, evaluate internal audit results and supervise the rectification of major problems; (iv) to direct the effective operation of the internal audit department;
- (5) The Company's internal audit department shall report to the Audit Committee. Any audit reports, plans for rectification of audit issues and rectification reports submitted by the internal audit department to the management shall be submitted to the Audit Committee concurrently;
- (6) To ensure that and review if the Company has appropriate ways and arrangements in place to allow employees and persons deal with the Company (e.g. customers and suppliers) to report or raise queries on any possible misconducts in matters of financial reporting, internal control or other matters anonymously, and review from time to time relevant arrangements for the Company to investigate such matters in a fair and independent manner and take appropriate follow-up measures;
- (7) to review the financial and accounting policies and practices of the group;
- (8) to review the external auditor's audit description letter issued to the management, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and the management's response;
- (9) to ensure that the Board will provide a timely response to the issues raised in the external auditor's audit description letter issued to the management;
- (10) to report to the Board on matters relating to the provisions of these rules of procedures for meetings;
- (11) to study other issues as defined by the Board.

**Article 12** The following matters shall be approved by more than half of all members of the Audit Committee before being submitted to the Board for consideration:

- (1) appointment, dismissal or discontinuance of appointment of accounting firms engaged as auditors of the Company;
- (2) appointment and dismissal of person(s)-in-charge of finance of the Company;
- (3) disclosure of financial and accounting reports of the Company;
- (4) other matters as required by laws, regulations and securities regulatory authorities.

**Article 13** Other duties and authorities as required by the relevant requirements imposed in respect of the terms of reference of the Audit Committee as stipulated in the listing rules (or the provisions thereof as amended from time to time) of stock exchanges in other places where the shares of the Company are listed, and other duties and authorities as delegated by the Board.

### **Chapter 3 Guidelines for Audit Committee in Performing and Exercising its Duties and Authorities**

**Article 14** The Audit Committee may consider the establishment of the following procedures to review and monitor the independence of the external auditor:

- (1) consider all relationships between the Company and the auditor (including any provision of non-audit services);
- (2) seek from the auditor on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including the existing requirements for rotation of audit partners and staff;
- (3) meet with the auditor, at least once annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.

**Article 15** The Audit Committee may consider formulating the Company's policies on hiring employees or former employees of the external auditor jointly with the Board and monitoring the application of these policies. The Audit Committee should then be in a position to consider whether there has been or appears to be any impairment of the auditor's judgment or independence in respect of the audit;

**Article 16** The Audit Committee should generally ensure that an external auditor's provision of non-audit services does not impair its independence or objectivity. When assessing the external auditor's independence or objectivity in relation to provision of non-audit services, the Audit Committee may consider:

- (1) whether the skills and experience of the audit firm make it a suitable provider of these non-audit services to the Company;
- (2) whether there are preventive measures in place to ensure that external auditor's provision of these non-audit services shall cause no threat to its independence or objectivity in conducting its audit;
- (3) the nature of such non-audit services, the related fee levels and fee levels individually and in total relative to the auditor;
- (4) criteria which govern the remuneration of the individuals performing the audit.

**Article 17** The Audit Committee may refer to the following information to provide further guidelines for the auditor:

- (1) the "Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor's Independence" issued by the Technical Committee of the International Organization of Securities Commissions in October 2002;
- (2) "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants in February 2002;
- (3) The listing rules of the stock exchanges in places where the shares of the Company are listed.

#### **Chapter 4 Rules of Procedures for Meetings of the Audit Committee**

**Article 18** The Audit Committee may convene meetings when it deems necessary in discharging its duties as mentioned above to discuss and determine the relevant matters.

**Article 19** Meetings of the Audit Committee shall be held by more than two-thirds of the members present at the meeting. Resolutions shall be passed by more than half of the members of the Audit Committee.

**Article 20** The Secretary to the Board/the Company Secretary shall be responsible for organizing and coordinating the Audit Committee and relevant departments for the meetings. The Secretary to the Board/the Company Secretary may attend the meeting of the Committee. When necessary, the Audit Committee may invite representatives of the external auditor, supervisors, staff responsible for internal audit or financial function, legal counsel of the Company or other relevant persons to attend the meeting and provide necessary information.

**Article 21** Minutes shall be made for the meetings of the Audit Committee and signed by the members present at the meetings. Draft and final versions of minutes of each meeting shall be sent to all of its members for comment and record respectively, in both cases, within a reasonable period of time after the meeting. The full text of the minutes shall be kept by the Secretary to the Board/the Company Secretary.

**Article 22** At the invitation of the chairman of the Board, the chairman of the Audit Committee or, in his/her absence, another member of the Committee or his/her authorized representative, shall attend the annual general meeting and answer questions.

**Article 23** The Audit Committee shall report its resolutions and recommendations to the Board, except for issues which are restricted from reporting by the laws or regulations.

**Article 24** The Audit Committee shall be provided with sufficient resources to discharge its duties.

**Article 25** The Audit Committee shall publish its terms of reference, explaining its roles and the authority delegated to it by the Board, and publish its term of reference on the websites of Company and the stock exchange in the place where the shares of the Company are listed in accordance with relevant requirements by the stock exchange in the place where the shares of the Company are listed.

**Article 26** The Committee may convene meetings from time to time when it deems necessary provided that meetings of the Committee shall be convened at least four times a year or once a quarter. A five days' notice shall be given to all the members before the meeting is convened. In any of the following circumstances, the convener of the Committee shall notify all members by the way of telephone, facsimile, post, email or direct delivery within seven days of the occurrence of the relevant facts:

- (1) in circumstances as deemed necessary by the Board;
- (2) in circumstances as deemed necessary by the chairman of the Committee;
- (3) when proposed by two or more members of the Committee.



**Article 27** Particulars of the notice of meeting shall include the method, time, location, duration and subject of the meeting, and the time of dispatching the notice and relevant information.

**Article 28** The members of the Committee shall, upon receiving the notice of meeting, promptly confirm their receipt in an appropriate manner and reply accordingly (including but not limited to whether to attend the meeting and their schedules).

**Article 29** The members of the Committee shall attend the meetings in person and express clear opinions on the matters considered. In the event that a member is unable to attend a meeting in person for any reason, he/she may entrust another member of the Committee to attend and express opinions on his/her behalf by submitting an authorization letter duly signed by him/her. The authorization letter shall specify the scope and duration of the authorization. Each member of the Committee shall only be entrusted by one member. In case of absence of a member, who is an independent director, for any reason, he/she shall entrust another member of the Committee, who shall also be an independent director, to attend on his/her behalf. The member attending meeting on behalf of another member shall exercise the rights within the scope of authorisation. If a member does not attend a meeting in person or authorise another member to attend such meeting and exercise the right 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 in writing his/her opinion with respect to any matter on the meeting agenda, provided that such written opinion shall be submitted to the chairman no later than the meeting.

**Article 30** If any member does not attend a meeting in person or authorise another member to attend such meeting on his/her behalf, nor does he/she submit any opinion in writing prior to the meeting on two consecutive occasions, or if such member fails to attend in person three-fourths of all meetings of the Committee held during any year, such member shall be deemed incapable of performing the duties of the Committee, and the board may make change to such member of the Committee in accordance with these Rules of Procedures for meetings.

**Article 31** If a member of the Committee is interested in any matter being considered by the Committee, such member shall refrain from the discussion and decision of such matter.

## **Chapter 5 Others**

**Article 32** The Company shall disclose the information on the members of the Audit Committee, including the composition of members, their professional backgrounds and their work experiences in the past five years, as well as the changes in the members of the Audit Committee.

**Article 33** The Company shall disclose the work of the Audit Committee during the year on the website of Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) when publishing its annual report, primarily including the performance of responsibilities of the Audit Committee and the convening of meetings by the Audit Committee.

**Article 34** In case of discovery of significant issues that involve the information disclosure standards under the Listing Rules during the discharge of duties by the Audit Committee, the Company shall promptly disclose such matters and the rectifications thereof.

**Article 35** If the Audit Committee puts forward its audit opinions to the Board of the Company within the scope of its duties and those opinions are not taken by the Board, the Company shall disclose this matter and provide reasons for taking a different view.

**Article 36** The Company shall disclose the opinions issued by the Audit Committee on the material issues of the Company in accordance with laws, administrative regulations, departmental rules, the Listing Rules and relevant regulatory documents.

**Article 37** These rules of procedures for meetings shall be effective and implemented from the date of the initial public offering of H Shares and the listing of the Company on the Hong Kong Stock Exchange subject to consideration and approval by the Board.

**Article 38** These rules of procedures for meetings shall be subject to amendment from time to time in accordance with the relevant laws and regulations and the listing rules of the stock exchange in the place where the shares of the Company are listed. These terms of reference before amendments within a specified time shall be implemented in accordance with the laws and regulations in force and the Listing Rules at the time before such amendments.

**Article 39** Matters not covered by these rules of procedures for meetings shall be implemented in accordance with the provisions of the relevant laws, administrative regulations and regulatory documents of the State, the Articles of Association and the listing rules of the stock exchange in the place where the shares of the Company are listed. If these rules of procedures for meetings contravene any laws, administrative regulations and regulatory documents promulgated by the State or the legally amended Articles of Association or the listing rules of the stock exchange in the place where the shares of the Company are listed, implementation shall be made in accordance with the provisions of relevant laws, administrative regulations and regulatory documents promulgated by the State, the Articles of Association and the listing rules of the stock exchange in the place where the shares of the Company are listed, and these rules of procedures for meetings shall be promptly amended and reported to the Board for consideration and adoption.

**Article 40** The power to interpret these rules of procedures for meetings shall be vested in the Board.