



**Shanghai HeartCare Medical Technology  
Corporation Limited**

**上海心瑋醫療科技股份有限公司**

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

**(Stock Code: 6609)**

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

**CHAPTER 1 GENERAL PROVISIONS**

**Article 1** Shanghai HeartCare Medical Technology Corporation Limited (hereinafter referred to as the “**Company**”) has established the audit committee of the board of directors and formulated these Terms of Reference for the Audit Committee of the Board of Directors of Shanghai HeartCare Medical Technology Corporation Limited (hereinafter referred to as the “**TOR**”) according to the practical situations of the Company in accordance with the laws, regulations, and normative documents including the Company Law of the People’s Republic of China (hereinafter referred to as the “**Company Law**”), the Articles of Association of Shanghai HeartCare Medical Technology Corporation Limited (hereinafter referred to as the “**Articles of Association**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Listing Rules**”), A Guide for Effective Audit Committees published by the Hong Kong Institute of Certified Public Accountants, and other applicable laws, regulations and relevant requirements of the Hong Kong Special Administrative Region of the People’s Republic of China, in order to boost the decision-making capability of the board of directors of the Company, continually enhance the formation of the Company’s internal control system, ensure the board of directors’ effective control over the team of managers and continually improve the Company’s corporate governance.

**Article 2** The audit committee is a specific working body established by the board of directors, and is mainly responsible for the communication between the Company and external audit firms, supervision and verification of external audit, monitoring of internal audit, assessment and enhancement of the internal control and risk management systems of the Company, and risk assessment in respect of, among others, significant investments of the Company which are in progress.

**CHAPTER 2 COMPOSITION**

**Article 3** The audit committee shall comprise at least three directors and the total number of members shall be an odd number. All members shall be non-executive directors and the majority of the members shall be independent non-executive directors.

Members of the audit committee shall have work experience in finance, accounting, audit and law, and relevant professional knowledge or work experience. Members of the committee shall comprise at least one member who is 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. The chairman of the audit committee should be an accounting professional.

A partner of the current external audit firm of the Company shall be prohibited from serving as a member of the audit committee before a period of one year has lapsed since the date on which he ceases to be a partner of the audit firm or to have any financial interest in the external audit firm, whichever is later.

**Article 4** Members of the audit committee shall be nominated by the chairman of the board of directors, over one half of the independent non-executive directors or at least one third of members of the board of directors or the nomination committee of the board of directors, and shall be elected by more than half of the total number of directors of the board of directors. Upon approval of the nomination proposal by the board of directors, a new appointed member shall commence his term of office immediately after the conclusion of the meeting of the board of directors.

Major duties and responsibilities of the members are:

- (1) To attend the committee meetings, express their opinions on matters deliberated at the meetings, and exercise their voting rights;
- (2) To propose topics for discussion at the committee meetings;
- (3) To attend relevant meetings of the Company as observers, to conduct surveys and researches and to collect relevant information such as reports, documents and materials for the purpose of discharging their duties and responsibilities;
- (4) To fully understand the duties and responsibilities of the committee and of himself/herself as a member of the committee, to familiarize themselves with information relevant to their duties and responsibilities on the operation and management, business activities and development of the Company to ensure their capacity for discharging duties and responsibilities;
- (5) To fully ensure that they have sufficient working hours and energy to fulfil their duties and responsibilities;
- (6) Other duties and responsibilities as specified by the laws, regulations, rules, normative documents, rules governing the listing of securities on the listing place of the shares of the Company, the Articles of Association and these TOR.

**Article 5** The audit committee shall have a convener or chairman, who shall be an independent non-executive director that is accounting professional. The chairman shall be appointed by the board of directors and shall oversee the operation of the committee. Where the chairman is unable to or fails to discharge the duty, an independent non-executive director shall be elected by over one half of the members to act in his stead.

Major duties and responsibilities of the chairman are:

- (1) To preside over the committee meetings and ensure effective operation and performance of duties and responsibilities of the committee;
- (2) To determine the agenda of the committee meetings;
- (3) To ensure that proposals considered by the committee reach a clear and definitive conclusion, including whether the proposal is passed, vetoed or to be further discussed after supplemental materials are provided;
- (4) To report its work to the board of directors on behalf of the committee;

- (5) Other duties and responsibilities as specified by the laws, regulations, rules, normative documents, rules governing the listing of securities on the listing place of the shares of the Company, the Articles of Association and these TOR.

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

### **CHAPTER 3 DUTIES AND AUTHORITIES**

**Article 7** As stipulated in Article 155 of the Articles of Association regarding the major duties and responsibilities of the audit committee, the specific duties of the audit committee are:

- (1) to review annually the performance of the external audit firm, submit a summary of the audit work conducted by the external audit firm during the year to the board of directors, and make proposals to the board of directors in respect of the appointment, re-appointment or dismissal of the external audit firm as well as the remuneration for auditing service, terms of engagement etc., and deal with matters related to the resignation or dismissal of 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 evaluation and examination of the independence and objectivity of the independent auditors and the effectiveness of the auditing procedures in accordance with applicable standards; and, before the commencement of any audit work, discuss with the external audit firm about the nature, scope and method of audit and the related reporting obligations, and discuss with it to fix the timing of auditing the financial report of the year, as well as oversee the external audit firm's timely submission of audit report within the predetermined timelines and so forth;
- (3) to, on an as-needed basis, formulate and implement policy on the provision of non-audit services by external audit firm. The audit committee shall report to the board of directors such actions or improvements as it deems necessary and make recommendations;

For this purpose, external audit firm includes any entity that is under common control, ownership or management 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 nationally or internationally;

- (4) To monitor completeness, accuracy and fairness of the quarterly (if any), interim and annual financial statements of the Company to be submitted to the board of directors and review significant financial reporting opinions contained in them. Prior to submitting the relevant statements and reports to the board of directors, the review shall focus particularly on the following: any changes in accounting policies and estimations during the reporting period; any issue involving significant judgment; such significant adjustments, if any, to be made as shall be requested by the independent auditor upon completion of audit; assumptions and any reservations about going concern; whether the accounting treatments are in compliance with accounting standards and 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 audit committee shall communicate with the board of directors and senior management as well as the internal and external auditor in a timely manner. Members of the audit committee shall meet with the independent auditor at least twice a year. They shall consider material or irregular matters reflected or required to be reflected in such reports and accounts and shall give due consideration to matters raised by the Company's accounting and finance department, regulatory department or auditor;

- (5) To discuss the questions raised by the independent auditor upon its completion of reviewing the interim accounts and of auditing the annual accounts of the Company;
- (6) To examine the financial policies, financial monitoring, internal audit system, risk management and internal control systems of the Company and provide opinions and recommendations for improvements, and:
1. examine the Company's financial and accounting policies and practices;
  2. monitor the process of compiling the regular financial reports (quarterly reports, if any, interim financial reports and annual financial reports), and examine the relevant information including the regular financial reports and financial results announcements to make judgments on the truthfulness, accuracy, completeness and timeliness of the financial reports and review significant financial opinions set out therein and submit to the board of directors for deliberation;
  3. discuss with the management and assess the effectiveness of the risk management and internal control systems, to ensure that the management has performed its duties in establishing effective risk management and internal control systems; discussions shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
  4. 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 of directors;
  5. ensure coordination between the audit department and external audit firm, and to ensure that the internal audit department is adequately resourced and has appropriate authorities and standing within the Company, and to review and monitor its effectiveness;

6. review the independent auditor's letter of examination or proposals to management, any material queries raised by the independent auditor about accounting records, financial accounts or systems of control, and management's response;
  7. ensure the timely provision of response by the board of directors to the issues raised in the independent auditor's letter of examination or proposals to management;
  8. 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 of the Company;
  9. monitor against any possible improprieties of the Company's employees in financial reporting, internal control or other matters;
  10. report matters related to the above to the board of directors, and consider such other matters as arranged by the board of directors.
- (7) The audit committee shall 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 whistleblowing by employees concerning the irregularities in the Company's accounting, auditing, internal control or any possible improprieties in other aspects, and ensure its confidentiality.
- (8) To complete other tasks assigned by the board of directors;
- (9) To discharge other duties imposed by regulatory bodies including The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong.

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, cooperate with the audit committee in its work, and listen to the recommendations provided and requests made by the audit committee.

**Article 8** The audit committee is accountable to the board of directors and proposals of the committee shall be submitted to the board of directors regularly for the it's consideration and decision. The audit committee shall cooperate with the supervisory committee in the supervision and auditing conducted by the supervisory committee.

## CHAPTER 4 WORKING PROCEDURES

**Article 9** The audit department, which is in charge of internal audit of the Company, is under the direct supervision of the audit committee and is the day-to-day working body of the audit committee.

**Article 10** The audit department is in charge of the preliminary preparation for the decision-making of the audit committee. It provides the following written materials of the Company:

- (1) relevant financial reports of the Company;
- (2) work reports of the internal and external auditors, respectively;
- (3) external audit contracts and related work reports;
- (4) disclosure of information to the public by the Company;
- (5) audit report on significant connected transactions of the Company;
- (6) financial and statutory information related to significant investments;
- (7) other relevant information.

The audit committee performs the primary duties under the aforementioned Article 7 based on the information provided by its day-to-day working body.

**Article 11** Manners of working of the audit committee:

- (1) During its meetings, the audit committee discusses the work plans for proceeding with internal audit, listens to the work report made by the Company's finance and audit department, comment on the reports submitted by the audit department, review the Company's quarterly reports (if any), interim reports, and annual financial reports. The audit committee may reach its decisions on the basis of the expert opinions expressed by professional firms and shall submit matters to the board of directors for its consideration and decision.
- (2) The audit committee shall comply with the following working rules and procedures in the preparation of annual financial reports and disclosures of the Company:
  1. To discuss with the independent auditor which is responsible for auditing the financial report of that year (the "**Annual Audit CPA**"), in a timely manner after the end of that financial year, to determine the timing for conducting audit in respect of that financial year;
  2. To procure the submission by the Annual Audit CPA of its audit report within the predetermined time limit;

3. To review the financial statements prepared by the Company before the Annual Audit CPA commences its work;
4. To review the financial statements of the Company after the Annual Audit CPA has issued its preliminary audit opinion;
5. To convene meetings of the audit committee for reviewing the financial report, make proposals concerning the re-appointment or replacement of the Annual Audit CPA for the forthcoming year, and conclude the performance of the Annual Audit CPA firm for the current year, so that to compile a report thereon.

The above matters shall be adopted as resolutions before submittal to the board of directors for review.

## **CHAPTER 5 RULES OF PROCEDURES**

**Article 12** Meetings of the audit committee include regular meetings and extraordinary meetings.

Regular meetings of the audit committee shall be held at least twice annually and shall be convened before the regular meeting of the board of directors of the Company before the annual general meeting of the Company, for discussing the opinions and recommendations to be submitted to the board of directors.

The chairman of the audit committee may convene extraordinary meetings of the audit committee on his own initiatives or at the request of the independent auditor or internal auditor. An extraordinary meeting of the audit committee may also be convened by the proposal of at least half of the number of committee members or the recommendation of the chairman of the board of directors. The convening of an extraordinary meeting is not subject to notice period.

**Article 13** The audit committee shall hold meetings upon convening by its chairman. Notice of meeting, signed by the chairman, and materials for meeting shall be delivered to all members of the committee three days prior to convening the meeting. The meeting notice may be served by hand or sent through fax, registered mails or electronic mails, etc. Upon unanimous consent of all members of the committee, the requirement on such prior notice period may be exempted.

The meeting notice shall include:

- (1) Venue and time of the meeting;
- (2) Manner of convening the meeting;
- (3) Agenda, discussion items and relevant detailed materials of the meeting;
- (4) The requirements that the members shall personally attend the meeting or appoint other members to attend the meeting on their behalf;
- (5) The contact person and the contact information;
- (6) Date of notice.

**Article 14** The audit committee shall be presided over by the chairman. The chairman may, when unable to attend the meeting, authorize another committee member who is an independent non-executive director to preside over the meeting. Where the chairman fails to make such authorization, an independent director shall be elected by no less than half of all members to preside over the meeting.

**Article 15** The quorum for meetings of the audit committee is at least two thirds of the total number of members of the committee. Members who cannot attend a meeting may authorize, in writing, other members to attend and vote on his behalf. The form of proxy, containing the names of the appointer and the proxy, the matters delegated, the scope of authorization, the validity period of such authorization and signing date, and signed or stamped by the appointer, shall be submitted to the president of the meeting no later than the time when voting takes place in the meeting.

Resolutions proposed at a meeting shall be passed by the affirmative votes of more than half of the members. The respective resolution or opinion shall be signed by members who attend such meeting of the audit committee. Each member 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 shall be entitled to have a casting vote. When voting at the meeting, members interested in the subject matter shall abstain.

**Article 16** Meetings of the audit committee may be in such appropriate forms as physical meetings held on site, telephone conference, video conference, circulation of documents, fax etc.

**Article 17** The person-in-charge of the audit department may attend a meeting of the audit committee as an observer. Where necessary, a director, supervisor and senior management may be invited to attend such meeting as an observer.

**Article 18** 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 19** The convening procedures, voting method and passing of resolutions of the meetings of the audit committee shall be in compliance with relevant laws and regulations, the Articles of Association and these TOR.

**Article 20** Detailed and complete minutes of meetings of the audit committee shall be prepared, on which members present at the meeting shall sign. Minutes of meetings shall be kept by the secretary to the board of directors. Draft and final versions of minutes of meetings shall be circulated to all members of the audit committee for their comment and record purpose respectively, in both cases within a reasonable time after each meeting. Upon signing by members of the audit committee who were present at the meeting, the minutes shall be submitted to all members of the board of directors for circulation.

If the board of directors disagrees with the audit committee’s opinions on selection, appointment, resignation, or dismissal of external audit firms, the Company should include in its Corporate Governance Report the statements by the audit committee regarding its recommendations and the reasons why the board of directors disagrees.

**Article 21** Members attending meetings, and those attending as observers, shall owe a duty of confidentiality as regards matters discussed during such meetings. No disclosure of such information shall be allowed, save as is otherwise stipulated under relevant laws, regulations and/or rules of regulatory bodies.



## CHAPTER 6 SUPPLEMENTARY PROVISIONS

**Article 22** “At least” as referred to in these TOR includes the number, and the words “more than half” does not include the number itself.

**Article 23** These TOR have been approved by the board of directors upon consideration and shall become effective from the date on which the overseas-listed foreign shares of the Company are listed for trading on The Stock Exchange of Hong Kong Limited. Any amendment or interpretation of these TOR shall be done by the board of directors.

**Article 24** Any matters not covered herein these TOR shall be implemented in accordance with the relevant laws and regulations, relevant regulatory provisions of the place(s) where the shares of the Company are listed, and the Articles of Association. Where these TOR conflict with any relevant laws and regulations, 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, 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 these TOR shall be amended forthwith and submitted to the board of directors for consideration and approval.