

SUZHOU BASECARE MEDICAL CORPORATION LIMITED

TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD

Chapter 1 General

Article 1 Pursuant to the Company Law of the People’s Republic of China (the “**Company Law**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Code on Corporate Governance under Appendix 14 to the Listing Rules and other relevant 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 Suzhou Basecare Medical Corporation Limited applicable after the issuance of H shares (the “**Articles of Association**”), Suzhou Basecare Medical Corporation Limited (the “**Company**”) has, according to the resolution of the Board, decided to set up an audit committee of the Board, and hereby formulate the Terms of Reference of the Audit Committee of the Board of Suzhou Basecare Medical Corporation Limited (the “**Terms of Reference**”) by taking into account the Company’s actual conditions, in an effort to strengthen the decision-making capacity of the Board of the Company, continually enhance the formation of the Company’s internal control system, ensure the Board’s effective control and continually enhance corporate governance structure of the Company.

Article 2 The Audit Committee of the Board is a specialised working body under the Board, 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 internal control system of the Company, and making recommendations on the same, as well as conducting risk assessment on major investment projects in operation. The Audit Committee shall report to the Board.

Chapter 2 Composition

Article 3 The Audit Committee shall comprise at least three directors and the total number of members of the Committee shall be an odd number. All members of the Committee shall be non-executive directors of the Company, and the majority (more than half) of the members of the Committee shall be independent non-executive directors of the Company. The chairman of the Audit Committee must be an independent non-executive Director.

Members of the Audit Committee shall have certain working experience in financial, accounting, auditing and legal works, and be equipped with 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 external audit firm engaged by the Company shall be prohibited from acting as a member of the 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. After the proposal of electing members of the Committee has been approved, the new members of the Committee shall take offices immediately after conclusion of the meeting of the Board.

Article 5 The Audit Committee shall have a convener, or chairman of the Committee, who shall be an independent non-executive director acted by accounting professionals. 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 discharge the duty, 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 completion 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 as necessary. Upon the loss of qualification or permission to resign, 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 expiration 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 for the situations specified in the Company Law, the Articles of Association or the Listing Rules.

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 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. The specific duties of the Audit Committee include:

- (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, and make proposals to the Board in respect of the appointment, re-appointment or dismissal of the external audit firm next year 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. Where the Board of the Company disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external audit firm, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board of the Company has taken a different view;

- (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 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 during the year, 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. 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 the provision of non-audit services by external audit firm (including its affiliates). The Committee shall report to the Board such actions or improvements as it deems necessary and make recommendations;

For this purpose, the affiliates of 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 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. As to the non-audit services, the Audit Committee shall take into account the following issues:

- (i) whether the skills and experience of the external audit firm make it a suitable supplier of the non-audit services;
- (ii) whether pre-cautions are taken to ensure that the external audit firm's objectiveness and independence in auditing shall not be influenced by providing such services;
- (iii) the nature of non-audit services, fee level, separate and lump sum fee of the services provided by such external audit firm; and
- (iv) to determine the salary level of the auditing staff.

The Audit Committee shall report and propose to the Board of any necessary measures to be taken or matters to be improved;

- (4) to review the Company's accounting policies, financial position, financial reporting procedures and financial controls; to review completeness, accuracy and fairness of the financial statements, the quarterly (if any), interim and annual reports and accounts of the Company to be submitted to the Board and review significant financial reporting opinions contained therein, as well as the disclosure of the Company's financial information. Prior to submitting the relevant statements and reports to the Board, the review shall focus particularly on the following: any changes in accounting policies and estimates during the reporting period; any issue involving significant judgment; such significant adjustments, if any, to be made as shall be requested by the external audit firm upon completion of audit; the going concern assumptions and any qualifications; 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 Committee shall communicate with the Board and senior management as well as the internal and external auditors in a timely manner. Members of the Committee shall meet with the external audit firm at least twice a year without executive directors present (except those invited by the Audit Committee). 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, compliance department or auditor;

- (5) to discuss with the external audit firm about issues and areas of concern arising from the audit on half-year and full-year accounts and any other matters that the external audit firm may wish to discuss (in the absence of management if necessary);
- (6) to examine the financial policies, internal audit system, internal control system and risk management system of the Company and provide opinions and recommendations for improvements, and also;
 1. examine the Company's financial and accounting policies and practices and any relevant changes;
 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;
 3. discuss with the management and assess the effectiveness of 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; and review the statements (if any) on the internal control system contained in the annual report before being submitted to the Board for approval;

4. consider major investigation findings on internal control matters and management's response to these findings on its own initiative or as delegated by the Board;
5. ensure co-ordination between the audit department of the Company and external audit firm, and to ensure that the 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 (if applicable in the future);
7. review the external audit firm's letter of examination or proposals to management, any material queries raised by the external audit firm about accounting records, financial accounts or control system, and management's response;
8. set up, jointly with the Board, the Company's policies relating to the hiring of employees or former employees of the external audit firm and monitor the application of such policies. The Audit Committee should consider whether such policies have impaired or appeared to impair the external audit firm's judgment or independence in respect of the audit;
9. act as the key representative for overseeing the Company's relation with the external audit firm;
10. ensure the Board's timely provision of response to the issues raised in the external audit firm's letter of examination or proposals to management;
11. formulate and review the corporate governance policy and practices of the Company and make recommendations to the Board in respect thereof;
12. review and monitor the training and continuous professional development for directors and senior management;
13. review and monitor the policy and practices of the Company in respect of compliance with laws and regulatory requirements;
14. 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;
15. monitor against any possible improprieties of the employees of the Company in financial reporting, internal control or other matters;

16. review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
 17. report matters related to the above to the Board, and consider such other matters as arranged by the Board; and
 18. report to the Board on the matters specified in Code Provision C3.3 of Code on Corporate Governance 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 advise and ensure that the Board takes effective remedial measures for the Company's failure to comply with the requirements of the Listing Rules regarding the establishment of an audit committee.
- (9) to complete other tasks assigned by the Board.
- (10) 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 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 Committee. It shall report, on a timely manner, significant business operating activities, cooperate with the Committee in its work, and listen to the recommendations provided and requests made by the Committee.

Article 9 The Audit Committee is accountable to the Board. Its proposals shall be submitted to the Board regularly for the Board's consideration and decision. The Audit Committee shall cooperate with the supervisory committee in the supervision and auditing conducted by the supervisory committee.

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 as shall be performed by the chairman of the Committee.

Chapter 4 Working Procedures

Article 11 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 Committee.

Article 12 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) agreements governing connected transactions, audit report on significant connected transactions and feedback on investigating connected persons of the Company;
- (6) financial and statutory information related to significant investments;
- (7) relevant work reports on the Company's internal control system and its implementation;
- (8) other relevant information.

The Audit Committee performs the primary duties under Article 8 based on the information provided by its day-to-day working body.

Article 13 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, comments on the reports submitted by the audit department, and reviews the Company's quarterly (if any), interim 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 for its consideration and decision, which mainly include:
 - (i) work appraisal on external audit firm, and the engagement and replacement of external audit firm; to approve the remuneration and appointment terms applicable to the external audit firm;
 - (ii) whether the internal control and internal audit systems have been effectively implemented and whether the financial report is true and complete;
 - (iii) whether disclosure of information including financial reports is true and objective, and whether significant connected transactions of the Company are in compliance with relevant laws and regulations;
 - (iv) assessment of the finance department and audit department of the Company and the respective persons in charge;
 - (v) other relevant matters;
- (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:
 - (i) to discuss with the external audit firm which is responsible for auditing the financial report of that year (the "**Annual Auditor**"), in a timely manner after the end of that financial year, to determine the timing for conducting audit in respect of that financial year;
 - (ii) to procure the submission by the Annual Auditor of its audit report within the predetermined time limit;
 - (iii) to review the financial statements prepared by the Company before the Annual Auditor commences its work;
 - (iv) to review the financial statements of the Company after the Annual Auditor has issued its preliminary audit opinion;
 - (v) to convene meetings of the Audit Committee for reviewing the financial report, make proposals concerning the re-appointment or replacement of the Annual Auditor for the forthcoming year, and conclude the performance of the Annual Auditor firm for the current year, so that to compile a report thereon.

The chairman of the Audit Committee or (if absent) another member of the Audit Committee, who must be an independent non-executive director, shall attend the Company's annual general meeting and respond to shareholders' questions on the activities and responsibilities of the Audit Committee.

Chapter 5 Rules of Procedures

Article 14 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 the Company, for discussing the opinions and recommendations to be submitted to the Board. The Audit Committee shall review and discuss the Company's interim and annual financial statements during the two regular meetings each year.

The chairman of the Audit Committee may convene extraordinary meetings of the Committee on his own initiatives or at the request of the independent auditor or internal auditor. An extraordinary meeting of the Committee may also be convened by the proposal of at least half of the members of the Committee or the recommendation of the chairman of the Board.

Article 15 The meeting 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 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 16 Notice of meetings of the Audit Committee shall be given to all Committee members seven days prior to the meeting, which shall be presided over by the chairman of the Committee. The chairman of the Committee may, when unable to attend the meeting, authorize another Committee member who is an independent non-executive director to preside over the meeting in his/her stead. Extraordinary meetings shall not be subject to the above notice period.

Article 17 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 president 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 resolution or opinion shall be signed by members who attend such meeting of the Committee. 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 18 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, mail etc.

Article 19 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 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 20 The Company shall provide sufficient resources to the Audit Committee to perform its duties. The budget of expenses of the Committee is included as part of the budget of the Company. In performing its duties, the 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 21 The convening procedures, voting method and approved proposals of the meetings of the Audit Committee shall be in compliance with relevant laws and regulations, the Articles of Association, the Listing Rules and the Terms of Reference.

Article 22 Minutes of meetings of the Audit Committee held on site 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 for at least ten years during the existence of the Company. Draft and final versions of minutes of meetings of the Committee shall be circulated to all members of the Committee for their comment and record purpose respectively, in both cases within a reasonable time after the meeting. Upon signing by members of the Committee who were present at the meeting, the minutes shall be submitted to all members of the Board for circulation. Resolutions of the Committee shall come into force after being signed by the attending members, and no amendment or modification shall be made to any Committee resolutions that have come into force unless relevant legal procedures required by laws, regulations, Articles of Association and the Terms of Reference have been carried out. Resolutions passed by the Audit Committee and the voting results shall be reported in writing to the Board.

Article 23 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 24 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 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 25 "At least" and "within" as referred in the Terms of Reference includes the number, and the words "more than" does not include the number itself.

Article 26 The Terms of Reference have been approved by the Board upon consideration and shall become effective 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. Any amendment or interpretation of the Terms of Reference shall be done by the Board.

Article 27 Any matters not covered herein shall be implemented in accordance with the relevant laws and regulations, departmental rules, 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.