

Hangzhou Jiuyuan Gene Engineering Co., Ltd.

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

Chapter I General

Article 1 These Terms of Reference are formulated for the audit committee (the “**Committee**”) of the board of directors (the “**Board**”) established by Hangzhou Jiuyuan Gene Engineering Co., Ltd. (the “**Company**”) in accordance with the Company Law of the People’s Republic of China, the Articles of Association of Hangzhou Jiuyuan Gene Engineering Co., Ltd. (the “**Articles of Association**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and other relevant regulations, in order to strengthen the decision-making function of the Board, enhance internal supervision and risk control, improve the corporate governance structure of the Company, and regulate the Company’s audit work.

Article 2 The Committee is a special committee under the Board, which is principally responsible for the communication, supervision and verification of the Company’s internal control, risk management, financial information and internal audit, as well as maintaining the relationship with the external auditor.

The Committee is accountable to the Board and reports to the Board; the Committee’s proposals shall be submitted to the Board for consideration and decision; the Committee shall cooperate with the audit activities of the supervisory committee.

The members of the Committee shall ensure that sufficient time and efforts are devoted to the performance of the duties of the Committee, diligently, conscientiously and effectively monitor the external audit of the Company, guide the Company’s internal audit work, promote the Company to establish effective internal control and provide true, accurate and complete financial reports.

The Company shall provide proper resources for the operation of the Committee.

- (5) coordinating the communication among the management, the internal audit department and relevant departments with the external auditor;
- (6) other matters authorized or required to be performed by laws and regulations, the Hong Kong Listing Rules and other relevant regulatory rules of the place where the Company is listed, these Terms of Reference and the Board.

Article 11 The duties of the Committee on supervising and evaluating the work of external auditors shall include:

- (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 any questions of its resignation or dismissal;
- (2) to evaluate and monitor the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with applicable standards, and to oversee and evaluate the external auditor's diligence; the Committee shall discuss the nature and scope of the audit and reporting obligations with the auditor before the audit commences, and discuss and communicate the audit plan, audit methods, and any significant matters identified with the external auditor during the audit;
- (3) to develop and implement policies on engaging external auditors to supply non-audit services. For the purpose of this clause, "external auditor" shall include 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 shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

The Committee shall meet with external auditors for separate communication at least once a year without the attendance of the management. The secretary to the Board may attend the meeting.

Article 12 The duties of the Committee on guiding the internal audit work shall include:

- (1) to review the annual internal audit plan of the Company;
- (2) to supervise the implementation of the internal audit plan of the Company;
- (3) to review the internal audit reports, evaluate the results of internal audit, and supervise the rectification of major issues;
- (4) to guide the effective operation of the internal audit department.

The Company's internal audit department shall report to the Committee. Any audit reports, plans for rectification of audit issues and rectification progress shall be forwarded to the Committee while being submitted to the management by the internal audit department.

Article 13 The duties of the Committee on reviewing and expressing opinions on financial reports of the Company shall include:

- (1) to review the integrity of the Company's financial reports, annual reports and accounts, half-year reports and quarterly reports (if prepared for publication), and to review significant financial reporting judgements contained in these statements and reports. In reviewing these statements and reports, before submission to the Board, the Committee shall focus particularly on: (i) any changes in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from audit; (iv) the going concern assumptions and any qualifications; (v) compliance with applicable accounting standards; and (vi) compliance with the Hong Kong Listing Rules and applicable legal requirements in relation to financial reporting. In this regard, members of the Committee should liaise with the Board and senior management. The Committee must meet, at least twice a year, with external auditors of the Company;
- (2) to focus on and consider any significant or unusual items and material accounting and auditing issues that are reflected or need to be reflected in the Company's financial report and accounts, including adjustments for material accounting errors, changes in significant accounting policies and estimates, matters involving critical accounting judgements, and matters resulting in a non-standard unqualified audit report and shall give due consideration to any matters raised by the Company's head of finance or by the external auditor;
- (3) to pay special attention to whether there are frauds or malpractices relating to the financial reports and the possibility of major misreporting;
- (4) to supervise the rectification of financial reporting issues.

Article 14 The duties of the Committee on assessing the effectiveness of internal control shall include:

- (1) to review the Company's financial controls, and the Company's risk management and internal control systems;
- (2) to discuss the risk management and internal control systems with the management of the Company to ensure that the management has performed its duty to establish effective internal control systems. The 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 risk management and internal control matters on its own initiative or as delegated by the Board and the management's response to such findings;
- (4) to ensure co-ordination between internal audit and external auditors and that internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of internal audit;
- (5) to review the group's financial and accounting policies and practices;

- (6) to review the external auditors' management letter, any material queries raised by the auditor to the management in relation to the accounting records, financial accounts or internal control and the management's response;
- (7) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (8) to report to the Board on matters relating to the Corporate Governance Code; and
- (9) to consider other topics as defined by the Board.

Article 15 The duties of the Committee on coordinating the communications among the management, the internal audit department and relevant departments with the external auditor shall include:

- (1) to coordinate the communication between the management and the external auditor on major audit issues;
- (2) to coordinate the communication between the internal audit department and external auditors and coordinate with the external auditors' work; and
- (3) to act as the key representative body for overseeing the Company's relations with the external auditor.

Article 16 The Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Article 17 The Committee may engage intermediary institution to seek professional advice as it deems necessary at the Company's expense.

Article 18 In the event of appointment or change of external auditors by the Company, relevant proposal shall not be considered by the Board until deliberations and recommendations of the Committee are presented to the Board.

Article 19 The Committee shall review the arrangements set up by the Company whereby employees of the Company may raise concerns, in confidence, about possible improprieties in financial reporting, internal control or others. The Committee should ensure that proper arrangements are in place for the Company to conduct impartial and independent investigation of these matters and for appropriate follow-up action.

Chapter IV Rules of Procedure

Article 20 Committee meetings shall comprise regular meetings and interim meetings and shall be convened and presided over by the chairperson of the Committee. When the convener of the Committee cannot or refuses to perform his/her duties, an independent non-executive director shall be delegated to perform the duties on his/her behalf.

Article 21 The Committee shall convene at least four regular meetings each year. The Committee may convene interim meetings as needed. When two or more members of the Committee propose, or the convener of the Committee deems it necessary, an interim meeting may be convened. The chairperson of the Committee shall give written notice to all members of the Committee of the convening of regular and interim meetings three days in advance.

Article 22 Committee meetings shall be held in the presence of more than two-thirds of the members, each of whom shall have one vote. Resolutions made at the meetings shall be passed by a majority of all the members. In the event of an equal number of affirmative and negative votes, the chairperson of the Committee shall have the right to cast one more vote. In the event that no effective review opinion is concluded due to the recusal of the members of the Audit Committee, the relevant matters shall be considered directly by the Board.

Any Committee member who has an interest in the matter discussed at the meeting shall recuse from discussion and abstain from voting. If the Committee members cannot form an effective opinion due to such recusal, the relevant matters shall be directly considered by the Board.

Article 23 Meetings of the Committee may be held on-site or by means of communication. Voting shall be taken by way of a poll.

Article 24 Members of the Committee should attend meetings in person (including on-site attendance and attendance by means of communication) and should express clear opinions on the matters under consideration. A Committee member unable to attend a meeting in person for any reason may appoint another member by the proxy letter as duly signed to attend the meeting and express opinions on his/her behalf. The proxy letter shall specify the scope and validity period of the authorization. Each member of the Committee can act as the proxy of at most one other member. If an independent non-executive director cannot attend the meeting in person for any reason, he/she shall appoint another independent non-executive director to attend the meeting on his/her behalf.

Article 25 Members of the Company's internal audit department may attend Committee meetings. When the Committee deems necessary, it may invite the financial personnel, other directors, supervisors and senior management of the Company, representatives of external auditors, legal advisers and other relevant personnel to attend meetings of the Committee and provide necessary information.

Article 26 Minutes should be kept for the Committee meetings on all concerns raised or dissenting views expressed by members, and shall record at least the following: date, time, venue, moderator, participants, agenda of the meeting, main points of each speaker's statement on each matter under consideration, voting results of each matter and other matters that should be stated and recorded in the minutes. Draft and final versions of the minutes shall be sent to all members of the Committee within a reasonable period of time after the meeting for the members' comments and records, respectively. The finalized version of the minutes of the Committee meeting shall be signed by the members and other persons present at the meeting. The minutes shall be kept properly by the secretary of the meeting or the company secretary.

The resolutions passed at the Committee meetings shall be submitted in writing to the Board.

Article 27 All persons attending the meeting shall be obligated to keep the matters discussed thereat confidential and shall not disclose relevant information without authorization.

Article 28 The procedures for convening meetings, the voting methods and the resolutions passed at the meetings of the Committee shall comply with relevant laws and regulations, the Articles of Association and these Terms of Reference.

Chapter V Supplementary Provisions

Article 29 These Terms of Reference shall take effect from the date of listing and trading of the overseas listed foreign shares (H Shares) issued by the Company on The Stock Exchange of Hong Kong after being considered and approved by the Board.

Article 30 Any matters not covered hereunder shall be subject to the provisions of relevant national laws, regulations, other regulatory documents, the Hong Kong Listing Rules and the Articles of Association; if these Terms of Reference are in conflict with the national laws, regulations and other regulatory documents promulgated in the future, or the Hong Kong Listing Rules or the Articles of Association as amended by lawful procedures, the latter shall prevail and amendment to these Terms of Reference shall be made immediately and submitted to the Board for consideration and approval.

Article 31 Amendments to these Terms of Reference shall be proposed and approved by the Board to become effective.

Article 32 The Board shall be responsible for the interpretation of and amendment to these Terms of Reference.