

AIM Vaccine Co., Ltd.
艾美疫苗股份有限公司

Terms of Reference of the Audit Committee of the Board of Directors

Chapter 1 General Provisions

Article 1 Pursuant to the Company Law of the People’s Republic of China (hereinafter the “**Company Law**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter the “**Listing Rules**”), the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, A Guide for Effective Audit Committees published by the Hong Kong Institute of Certified Public Accountants and other relevant laws, regulations, regulatory documents as well as the Articles of Association of AIM Vaccine Co., Ltd. (hereinafter the “**Articles of Association**”) applicable after the issuance of H shares, AIM Vaccine Co., Ltd. (hereinafter the “**Company**”) hereby, in accordance with the resolution of the Board of Directors (the “**Board**”), establishes the Audit Committee of the Board of Directors (hereinafter the “**Audit Committee**”) and formulates the Terms of Reference of the Audit Committee of the Board (hereinafter the “**Terms of Reference**”) based on the actual conditions of the Company, in order to reinforce the decision-making function of the Board of the Company, continuously improve the construction of its internal control systems, ensure the effective supervision and management of the Board, and constantly enhance its corporate governance structure.

Article 2 The Audit Committee is a specialised working body under the Board. Its main functions include reviewing the financial status of the Company, reviewing the financial information of the Company, making judgment on the truthfulness, completeness and accuracy of the financial information, and checking the implementation and effectiveness of the internal control systems. It is also mainly responsible for the communication between the Company and the external audit firms and the supervision and verification of such communication, supervising internal audit, evaluating and improving the internal control systems of the Company and making proposals thereto and assessing the risks of, among others, the significant investment projects under operation. The Audit Committee shall report to the Board on its work.

Chapter 2 Composition

Article 3 The Audit Committee shall consist of an odd number of over three directors. All members of the Audit Committee shall be non-executive directors and the majority (over half) of members of the Audit Committee shall be independent non-executive directors. The chairman of the Audit Committee must be an independent non-executive director.

Members of the Audit Committee shall have certain working experience in the financial, accounting, auditing and legal industry, and be equipped with relevant professional expertise or working experience. At least one member of the Audit Committee shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as stipulated by Rule 3.10(2) of the Listing Rules.

A former partner of the current external audit firm engaged by the Company shall be prohibited from serving as a member of the Audit Committee within two years from the date of such person ceasing to be a partner of the audit firm or to have any financial interest in the current external audit firm, whichever is later.

Article 4 Members of the Audit Committee shall be nominated by the chairman of the Board or the Nomination Committee, and shall be elected by more than half of directors of the Board. After the proposal for electing members of the Audit Committee has been approved, the new members of the Audit Committee shall take office immediately after the conclusion of the meeting of the Board.

Article 5 The Audit Committee shall have one convener, being the chairman of the Audit Committee, who shall be an independent non-executive director and an accounting professional. The chairman of the Audit Committee shall be appointed by the Board and shall be responsible for presiding over the works of the Audit Committee. When the chairman of the Audit Committee is unable to or fails to perform his/her duties, an independent non-executive director shall be elected by over half of the members to perform the chairman's duties.

Article 6 The term of office of the Audit Committee shall be the same as that of the Board. A member may serve consecutive terms if re-elected upon expiry of his/her term of office. During his/her term of office, if any member ceases to be a director of the Company, or any member with the capacity of an independent non-executive director ceases to have the independence as stated in the Articles of Association and the Listing Rules, his/her membership in the Audit 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 position in the Audit Committee. The resignation report shall contain such reasons for resignation and matters which require the 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 laws, regulations, regulatory documents and the provisions of Articles 3 to 5 as set forth 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 Audit Committee shall not, before the expiry of his/her term of office, be relieved of his/her duties without causes except for the situations that prevent such member from holding office as specified in the Company Law, the Articles of Association or the Listing Rules.

The company secretary (or any one of the joint company secretaries) shall be the secretary of the Audit Committee.

Article 7 Apart from the directors' remuneration and disbursements, the members of the Audit Committee shall not directly or indirectly charge the Company any consulting fee, advisory fee or other rewards as a member of the Audit Committee.

Chapter 3 Duties and Authorities

Article 8 The Audit Committee shall make available the 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:

- (I) to review annually the performance of the external audit firm, submit a summary report of the audit work conducted by the external audit firm during the year to the Board, be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external audit firm next year, prepare or make recommendations on the remuneration and terms of engagement of the external audit firm, as well as deal with any questions or matters related to the resignation or dismissal of the external audit firm. Where the Board disagrees with the opinion of the Audit Committee on the selection, appointment, resignation or dismissal of the external audit firm, the Company shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and the reasons why the Board holds different opinions;

- (II) to act as the Company's representative in liaising with the external audit firm, to be responsible for the communication between the Company's internal audit department and external audit firm, including examining and monitoring of the independence and objectivity of the external audit firm, the effectiveness of the audit process in accordance with applicable standards; and, prior to the commencement of the audit, discuss with the external audit firm about the nature, scope and method of audit and the reporting obligations during the year, and negotiate with the external audit firm to determine the schedule of auditing the financial report of the year, as well as procure the external audit firm to submit audit reports within the predetermined timelines and so forth. If more than one external audit firm is involved in the audit, the Audit Committee shall make sure they coordinate with each other; and
- (III) to develop and implement policy on engaging an external audit firm (including its affiliates) to supply non-audit services. The Audit Committee shall report and make recommendations to the Board if any actions or remedial measures are considered necessary;

For the purpose of Article 8(III), 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 a part of the external audit firm engaged by the Company 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. In terms of non-audit services, the Audit Committee shall consider the following matters:

1. in terms of skills and experience, whether the relevant external audit firm is suitable for providing non-audit services;
2. whether pre-cautions are taken to ensure that the external audit firm's objectivity and independence in auditing will not be influenced by their provision of such services;
3. the nature and relevant fee level of the non-audit services, as well as separate and lump sum fee of the services provided by such external audit firm; and
4. the standard for determining auditors' remuneration.

The Audit Committee shall, as it thinks fit, report to the Board and make recommendations on any matters where action or improvement is needed;

- (IV) to review the Company's accounting policies, financial position, financial reporting procedures and financial controls; to review and monitor the integrity, accuracy and fairness of the Company's financial statements, quarterly reports (if any), interim reports and annual reports and accounts, and to review significant financial reporting judgments contained therein, as well as the disclosure of the Company's financial information. Before submitting relevant statements and reports to the Board, the review shall focus particularly on the following: any changes in accounting policies and practices during the reporting period; any issue involving significant judgments; issues on which significant adjustments were required by the external audit firm upon completion of audit; the going concern assumptions or any qualified opinion of the Company as well as whether the financial accounting complies 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 which require particular focus in the review process, members of the Audit Committee shall communicate with the Board, senior management and internal and external auditors in a timely manner. Members of the Audit Committee shall meet, at least twice a year, with the external audit firm in attendance, and at least one such meeting shall be held without the attendance of any executive directors. The external auditors may request a meeting should they consider necessary. Members of the Audit Committee shall consider any material or unusual matters reflected or required to be reflected in the Company's reports and accounts, and give due consideration to matters raised by the accounting and financial department, regulatory department or auditors of the Company;

- (V) to discuss questions and doubts raised by the external audit firm upon its completion of reviewing the interim accounts and auditing the annual accounts of the Company and any other matters that the external audit firm may wish to discuss (in the absence of management if necessary);
- (VI) to examine the financial policies, internal audit systems, internal control systems and risk management systems of the Company and provide opinions and recommendations for improvements, and also:
 - 1. to examine the Company's financial and accounting policies and practices and any relevant changes;
 - 2. to monitor the preparation process of the periodic financial reports, including quarterly reports (if any), interim financial reports and annual financial reports, and review the periodic financial reports, financial results announcements and other relevant information;
 - 3. to review and assess the effectiveness of the financial control, internal control and risk management systems, and discuss the internal control and risk management systems with the management, so as to ensure that the management has performed its duties in establishing an effective financial control, internal control and risk management systems; such discussions shall cover the adequacy of resources, employees' qualifications and experience in relation to the Company's accounting and financial reporting function, as well as the training program received by the aforementioned employees and the sufficiency of budget in relation to the Company's accounting and financial reporting function. If the annual report contains any statement about the internal control systems of the Company, the Audit Committee shall review the statement before submitting to the Board for approval;
 - 4. to study the important findings of the investigation regarding internal control and risk management matters on its own initiative or as instructed by the Board and the response of the management to these findings;
 - 5. to ensure co-ordination between the audit department of the Company and the external audit firm; and also to ensure that the audit department of the Company is adequately resourced and has appropriate authorities and standing within the Company, and to review and monitor its effectiveness;
 - 6. to review the operating, financial and accounting policies and practices of the Company and its subsidiaries (if applicable in the future);

7. to review the external audit firm's letter of examination or management proposals, material queries raised by the external audit firm on accounting records, financial accounts or control systems, and the management's responses to such queries;
 8. to set up, jointly with the Board, the Company's policies relating to the engagement of employees and former employees of the external audit firm and monitor the implementation of such policies. The Audit Committee shall consider whether the implementation of such policies would impair or seem to impair the external audit firm's judgment or independence regarding the audit;
 9. to act as the key representative between the Company and the external audit firm and oversee their relationship;
 10. to ensure the Board's timely response to the letter of examination or management proposals issued by the external audit firm to the management;
 11. to develop and review the policies and practices on corporate governance of the Company and make recommendations to the Board;
 12. to review and monitor the training and continuous professional development of the directors and senior management;
 13. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
 14. to review the internal audit report and report to the Board and make recommendations, and to 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;
 15. to supervise the staff of the Company as to potential or possible improprieties in financial reporting, internal control or other matters;
 16. to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
 17. to report matters related to the above to the Board and to study other matters as arranged by the Board; and
 18. to report to the Board on the matters specified in Code Provision D3.3 of the Corporate Governance Code under Appendix 14 to the Listing Rules.
- (VII) the Audit Committee shall establish relevant procedures to ensure fair and independent investigation and resolution of the following matters:
1. to receive and deal with known complaints on accounting, internal control or audit of the Company, and guarantee confidentiality of such complaints; and

2. to receive and deal with open or anonymous complaints made by employees on possible improprieties in accounting, audit, internal control or other matters, and guarantee confidentiality of such complaints. To review the procedures that the Company's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action by the Company;
- (VIII) 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;
- (IX) to complete other tasks assigned by the Board; and
- (X) to perform other duties imposed by the laws, regulations, regulatory 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 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, report significant business operating activities in a timely manner, actively cooperate with the Audit Committee in its work, and listen carefully to the recommendations provided, and requests made, by the Audit Committee.

Article 9 The Audit Committee shall be accountable to the Board and proposals of the Audit Committee shall be submitted to the Board regularly for its consideration and decision. The Audit Committee shall cooperate with the supervisory committee in supervising audit activities.

Article 10 The main terms of reference of the chairman of the Audit Committee are:

- (I) to convene and preside over the meetings of the Audit Committee;
- (II) to preside over the daily operation of the Audit Committee;
- (III) to review and sign the reports of the Audit Committee and other important documents;
- (IV) to inspect the implementation of the resolutions and recommendations of the Audit Committee;
- (V) to report to the Board on behalf of the Audit Committee; and
- (VI) to perform such other duties as shall be performed by the chairman of the Audit Committee.

Chapter 4 Working Procedures

Article 11 The audit department, which is responsible for the Company's internal audit, is under the direct supervision of the Audit Committee, and is the daily working body of the Audit 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:

- (I) relevant financial reports of the Company;
- (II) the work reports of internal and external auditors;
- (III) external audit contracts and relevant work reports;
- (IV) disclosure of information to the public by the Company;
- (V) the Company's related (connected) transactions agreements, audit reports on major related (connected) transactions and feedback on the investigation of related (connected) persons;
- (VI) financial and legal information about major investment projects;
- (VII) relevant work reports on the Company's internal control systems and its implementation;
and
- (VIII) other relevant information.

The Audit Committee performs the main duties under Article 8 of the Terms of Reference based on the information provided by the daily working body.

Article 13 The working manner of the Audit Committee:

- (I) During the meetings of the Audit Committee, the Audit Committee discusses the work plans for proceeding with internal audit, listens to the work reports made by the Company's finance department, comments on the reports provided by the audit department, and reviews the quarterly (if any), interim and annual financial reports of the Company, etc. The Audit Committee may make decisions based on the opinions of experts from the professional institutions and submit the matters that require to be decided by the Board to the Board, which mainly include:
 - 1. the evaluation of work conducted by the external audit firm, the appointment and removal of the external audit firm, approval of the remuneration and appointment terms applicable to the external audit firm;
 - 2. whether the Company's internal control systems and internal audit systems have been effectively implemented, and whether its financial reports are complete and true;
 - 3. whether the information disclosed to the public by the Company (including the financial reports) is objective and true, and whether the major connected (related) transactions of the Company are in compliance with the relevant laws and rules;
 - 4. evaluation of the work of the Company's financial department, the audit department and the respective persons in charge; and
 - 5. other relevant matters;

- (II) In the preparation and the disclosure of the Company's annual financial report, the Audit Committee shall follow the following working rules and procedures:
1. to negotiate and determine the schedule of the audit work of the financial year with the external audit firm which is responsible for the audit of the Company's financial report of that year (hereinafter referred to as the "Annual Audit CPA") in a timely manner after the end of the financial year;
 2. to procure the submission of the audit reports by the Annual Audit CPA within the predetermined time limit;
 3. to review the financial accounting statements prepared by the Company before the Annual Audit CPA commences its work;
 4. to review the financial accounting statements of the Company after the Annual Audit CPA has issued its preliminary audit opinion; and
 5. to convene meetings of the Audit Committee to review the financial reports, make recommendations for the re-appointment or replacement of the Annual Audit CPA for the following year, and compile a report summarizing the audit work engaged by the Annual Audit CPA for the current year.

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

Chapter 5 Rules of Procedure

Article 14 Meetings of the Audit Committee are classified as 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 interim and annual financial statements of the Company shall be reviewed and discussed at the two meetings of the Audit Committee held annually.

The chairman of the Audit Committee may convene the extraordinary meetings at his/her own discretion or at the request of the independent accountant or internal auditor. The extraordinary meeting may also be convened upon the proposal submitted by a majority of the members of the Committee or according to the recommendation made by the chairman of the Board.

Article 15 The meetings of the Audit Committee shall be convened by the chairman of the Audit Committee. Notices of meetings, signed by the chairman of the Audit Committee, and materials for meetings shall be given to all members of the Committee three days prior to the meeting. Upon unanimous consent of all members of the Audit Committee, the requirement for such prior notice period may be exempted.

Article 16 The meetings of the Audit Committee shall be presided over by the chairman of the Audit Committee; if the chairman is unable to attend, he/she may entrust another independent non-executive director to preside over the meeting. Extraordinary meetings shall not be subject to the above time limit for notice.

Article 17 The quorum of meetings of the Audit Committee shall be at least two-thirds of the members, one of whom must be an independent non-executive director. If a member is unable to attend a meeting, he/she may by a written power of attorney appoint another member to attend and vote at the meeting on his/her behalf. The power of attorney shall set out the name of the proxy, the subject and scope of authorization and the validity period of the power of attorney, and shall be signed or officially sealed by the appointer and submitted to the presider of the meeting no later than the commencement of voting.

The resolutions made at the meeting shall be approved by more than half of all members, and relevant resolutions or opinions shall be signed by the participating members of the Audit Committee. Each member shall have one vote and may vote “for”, “against” or “abstain” from voting on a given matter. Where the respective votes for and against a resolution are equal in number, the chairman of the Audit Committee shall have a casting vote.

Article 18 Meetings of the Audit Committee may be held by on-site meetings, tele-conferences, video conferences, circulation of documents, facsimile, email or other appropriate means.

Article 19 The head of the audit department may attend the meetings of the Audit Committee, and where necessary invite any directors, supervisors and senior management of the Company to attend such meetings. However, such persons who are not the members of the Audit Committee shall not have the right to vote on any resolution at the meeting.

Article 20 The Company shall provide the Audit Committee with sufficient resources to perform its duties. The Audit Committee’s working expenses shall be covered by the budget of the Company. The Audit Committee may, when performing its duties and if necessary, engage lawyers, certified public accountants, certified auditors and other professionals to advise on its decision-making and provide independent professional advice at the reasonable cost of the Company.

Article 21 The convening procedures, voting method and resolutions passed on the meetings of the Audit Committee shall comply with the relevant laws, regulations, the Articles of Association, the Listing Rules and the Terms of Reference.

Article 22 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 properly kept by the secretary of the Audit Committee for at least ten years during the existence of the Company. Draft and final versions of minutes of meetings shall respectively be circulated to all members of the Audit Committee for their comment and record purposes, 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 for circulation. Resolutions of the Audit Committee shall come into force after being signed by the attending members, and no amendment or modification shall be made to any resolutions of the Audit Committee that have come into force unless in accordance with the relevant legal procedures required by laws, regulations, the Articles of Association and the Terms of Reference. Resolutions passed by the meeting of 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 at least include 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 of each resolution or proposal; other matters need to be indicated and recorded in the meeting minutes.

Article 24 Members present at meetings of the Audit Committee, and those present as observers, shall owe a duty of confidentiality as regards matters discussed at such meetings. No unauthorized disclosure of such information shall be allowed, unless otherwise stipulated under relevant laws, regulations and/or rules of regulatory bodies.

Chapter 6 Supplementary Provisions

Article 25 The phrases "more than" and "at least" as referred to herein are inclusive of the number while "majority" is exclusive of the number.

Article 26 Upon consideration and approval of the Board, the Terms of Reference shall come into effect and be implemented from the day on which the overseas listed foreign shares (H shares) in the Company's initial public offering are listed and traded on The Stock Exchange of Hong Kong Limited. The Board shall be responsible for amending and interpreting the Terms of Reference.

Article 27 Matters not covered herein shall be implemented in accordance with the provisions of relevant laws, regulations, departmental regulations, the Listing Rules and any other regulatory rules of the place(s) where the shares of the Company are listed and the Articles of Association. Where the Terms of Reference conflicts with any provisions of relevant laws, regulations, departmental regulations, the Listing Rules and any other regulatory rules of the place(s) where the shares of the Company are listed or the Articles of Association, such relevant laws, regulations, departmental regulations, the Listing Rules and any other regulatory rules of the place(s) where the shares of the Company are listed and the Articles of Association shall prevail, and the Terms of Reference shall be amended accordingly as soon as practicable and submitted to the Board for consideration and approval.