



## Human Health Holdings Limited

盈健醫療集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

### TERMS OF REFERENCE OF AUDIT COMMITTEE

**(Adopted by the Board on 28 January 2016  
and revised and adopted on 30 May 2019)**

#### Constitution

1. The board of directors (the “**Board**”) of Human Health Holdings Limited (the “**Company**”) hereby resolves to establish an audit committee of the Board to be known as the Audit Committee.

#### Membership

2. The members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company only and must consist of not less than three members comprising a majority of independent non-executive directors of the Company (“**INED**”). A quorum for the meetings of the Audit Committee shall be two members.
3. At least one of the members of the Audit Committee is an independent non-executive director of the Company who must have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
4. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of two years from the date of his or her ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,whichever is later.
5. The chairman of the Audit Committee (the “**Chairman**”) shall be appointed by the Board and must be an INED.

## **Attendance at meetings**

6. Attendees shall normally include Audit Committee's members, the Finance Director, the Head of Internal Audit (where an internal audit function exists), a representative of the external auditors and those with meaningful input to the Audit Committee's activities. However, at least twice a year the Audit Committee shall meet with the external and internal auditors (if any) without executive Board members present.
7. Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication.
8. The company secretary shall be the secretary of the Audit Committee. The secretary of the Audit Committee or in his or her absence, his or her representative or any one member, shall be the secretary of the meetings of the Audit Committee.

## **Frequency of meetings**

9. Meetings shall be held not less than twice a year. Additional meetings of the Audit Committee shall be held as and when required. The Chairman may convene additional meetings at his or her discretion.
10. The external auditors may request a meeting if they consider that one is necessary.

## **Notice of Meetings**

11. Notice of meetings shall be given to all members of the Audit Committee at least three working days before the meeting.

## **Authority**

12. The Audit Committee is authorized by the Board to investigate activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
13. The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it consider this necessary.

## **Duties**

14. The duties of the Audit Committee shall include the following:
  - (a) to be primarily responsible for making recommendation 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;

- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination if more than one audit firm is involved;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing these reports before submission to the Board, the Audit Committee should 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 qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (e) Regarding (d) above:
  - (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
  - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (f) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;

- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (j) to review the group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of controls and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in the Corporate Governance Code and Corporate Governance Report (Appendix 14 of the Listing Rules);
- (n) to review continuing connected transactions of the Company and ensure compliance with the Listing Rules;
- (o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (p) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (q) to report to the Board on the matters in provision of terms of reference of the Audit Committee; and
- (r) to consider other topics, as defined by the Board.

### **Reporting responsibilities and procedures**

15. Full minutes of Audit Committee meetings should be kept by the company secretary. Draft and final versions of minutes of the Audit Committee meetings should be sent to all members of the Audit Committee for their comments and records respectively, in both cases within a reasonable time after the meeting. The company secretary shall circulate the final versions of minutes of

meetings of the Audit Committee to all members of the Board.

16. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, 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 has taken a different view.

#### **Publication of the terms of reference of the Audit Committee**

17. The terms of reference of the Audit Committee will be posted on the website of each of the Company and The Stock Exchange of Hong Kong Limited, and will be made available upon request.

#### **Others**

18. The Chairman or in his or her absence, another member of the Audit Committee or failing this, his or her duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to respond to questions at the annual general meeting on the Audit Committee's activities and their responsibilities.
19. The Audit Committee should be provided with sufficient resources to discharge its duties.

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