



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

**(Stock Code: 1509)**

## **Terms of Reference for Audit Committee**

of the board of directors of Harmonicare Medical Holdings Limited

(和美醫療控股有限公司)

(Adopted pursuant to a resolution of the board of directors on June 9, 2015, amended pursuant to a resolution of the board of directors on December 9, 2015, and effective from December 9, 2015, amended pursuant to a resolution of the board of directors on December 28, 2018, and effective from December 28, 2018)

### **Purpose**

1. The Audit Committee is formed to assist the board (the “**Board**”) of directors (the “**Directors**”) of Harmonicare Medical Holdings Limited (和美醫療控股有限公司) (the “**Company**” together with its subsidiaries, the “**Group**”) to establish formal and transparent arrangements for considering how the Board will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company’s auditors.

### **Membership**

2. The Audit Committee shall comprise a minimum of three (3) members which should be non-executive Directors. The majority of the Audit Committee must be independent non-executive Directors (the “**INED**”) of the Company who should meet the independence requirements set out in Rule 3.13 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). In addition, at least one INED of the Audit Committee members shall possess appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

3. The chairman of the Audit Committee (the “**Chairman**”) shall be appointed by the Board and must be an INED.
4. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of two (2) years from the date of his ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,whichever is later.

### **Frequency and Proceedings at Meetings**

5. The company secretary of the Company (the “**Company Secretary**”) shall be the secretary of the Audit Committee. Meetings of the Audit Committee shall be summoned by the Chairman or by the Company Secretary at the request of the Chairman.
6. The Audit Committee shall meet at least twice annually. The Board, any Audit Committee member and the external auditors may request a meeting if they consider it necessary.
7. For regular meetings and as far as practicable in all other cases, an agenda and accompanying committee papers should be sent, in full, to all committee members of the Audit Committee. These should be sent in a timely manner and at least three (3) days before the intended date of meeting (or such other agreed period as agreed).
8. The quorum necessary for the transaction of business shall be two (2), both of whom must be INED, including one which has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

## **Reporting Procedures**

9. On an annual basis, the Audit Committee shall evaluate and assess the effectiveness of the Audit Committee and the adequacy of the Audit Committee Terms of Reference and if necessary, recommend any proposed changes to the Board.
10. Full minutes of the Audit Committee meetings should be kept by the duly appointed Company Secretary. Draft and final versions of meeting minutes should be sent to all committee members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.
11. Minutes of meetings of the Audit Committee and the record of individual attendance at such meetings shall be prepared by the Company Secretary or in his or her absence, a person designated by him or her. Those minutes should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of the minutes of any meeting should be sent to all members of the Audit Committee for their comment and records respectively, in both cases as soon as practicable after such meeting. Minutes of meetings of the Audit Committee should be open for inspection at any reasonable time on reasonable notice by any member of the Audit Committee.
12. The Audit Committee should report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).

## **Authority**

13. The Audit Committee is authorised by the Board to investigate any activity within these Terms of Reference. It is authorised to seek any information it requires from any employee and all employees, including the Company's chief financial officer, are directed to cooperate as requested by members of the Audit Committee.
14. The Audit Committee is authorised by the Board to obtain, as the Audit Committee deems appropriate, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings of the Audit Committee.

15. The Audit Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
16. The Audit Committee shall be provided with sufficient resources to perform its duties.

### **Annual General Meeting**

17. The Chairman should, as far as practicable, attend the annual general meeting of the Company and make himself available to answer any shareholders' questions on the Audit Committee's activities. In his absence, one other member of the Audit Committee or failing this his duly appointed delegate should attend.

### **Responsibilities and Duties**

18. The duties of the Audit Committee as stated by the Board are the following:

#### *Relationship with external auditor*

- (a) to be primarily responsible for making 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;
- (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;
- (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 as 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;

*Review of financial information*

- (d) to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. 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 the audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (e) in relation to paragraph (d) above:
  - (i) members of the Audit Committee should liaise with the Board and the 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 and 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;

*Oversight of financial reporting system, risk management and internal control systems*

- (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 the management to ensure that the 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 auditor, and to ensure that the internal audit function is adequately resourced and has the 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 control 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 code provision C.3.3 as set out in Appendix 14 to the Listing Rules;
- (n) 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 and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

- (o) to act as the key representative body for overseeing the Company's relations with the external auditor;

*Others*

- (p) to review continuing connected transactions of the Company and ensure compliance with terms of approval by shareholders of the Company;
- (q) to review the draft representation letter prior to approval by the Board;
- (r) to recommend to the Board any appropriate extensions to, or changes, in the duties of the Audit Committee;
- (s) to review the findings of internal investigations into and management's response to any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations;
- (t) to apprise the Board of significant developments in the course of performing the above duties;
- (u) to consider such other matters as the Board may from time to time determine; and
- (v) to establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.

## General

19. The Audit Committee should make available these Terms of Reference, explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.hemeiyl.com](http://www.hemeiyl.com)).
20. 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.
21. For the purpose of these Terms of Reference, "senior management" means the same persons as referred to in the Company's annual report and is required to be disclosed under paragraph 12 of Appendix 16 to the Listing Rules, as such rule may be amended from time to time.

Note: If there is any inconsistency between the English and Chinese versions of this document, the English version shall prevail.