



EXTRAWELL PHARMACEUTICAL HOLDINGS LIMITED

精優藥業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00858)

AUDIT COMMITTEE — TERMS OF REFERENCE

1. MEMBERSHIP

- 1.1 The audit committee (the “**Committee**”) established by the board of directors (the “**Board**”) of Extrawell Pharmaceutical Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) shall consist of not less than three members appointed by the Board, and all the members shall be non-executive directors with a majority of independent non-executive directors (“**INEDs**”) who meet the independence requirements, and at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise, as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- 1.2 The chairman of the Committee shall be appointed by the Board and shall be an INED.
- 1.3 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of his/her ceasing to be a partner of the firm; or to have any financial interest in the firm, whichever is later.

2. SECRETARY

- 2.1 The company secretary of the Company or a nominee by the Board shall act as the secretary of the Committee.
- 2.2 The secretary of the Committee shall keep full records of all resolutions passed by the Committee.

3. FREQUENCY AND PROCEEDINGS OF MEETINGS

- 3.1 The Committee shall meet at least twice a year. Additional meetings shall be held as the work of the Committee demands or it may consider appropriate.
- 3.2 The quorum of a meeting shall be two members, one of whom shall be an INED.
- 3.3 The chairman of the Committee shall be the chairman of the meeting, and in the absence of the chairman of the Committee, the remaining members present shall elect one of themselves who is an INED to chair the meeting.

3.4 A resolution in writing signed by all the members of the Committee shall be as valid and effectual as a resolution passed at a meeting of the Committee.

3.5 The meetings and proceedings of the Committee are governed by the relevant provisions of the Company's bye-laws (as amended from time to time).

4. AUTHORITY

4.1 The Committee shall be provided with sufficient resources to perform its duties.

4.2 The Committee shall have access to independent professional advice at the expense of the Company if necessary to perform the responsibilities of the Committee.

4.3 The Committee is authorised to seek any information it requires from the management and/or employees of the Group, where appropriate, for the performance of its duties.

5. DUTIES AND RESPONSIBILITIES

5.1 Relationship with the Group's auditors

5.1.1 To be primarily responsible for making recommendations to the Board on the appointment, re-appointment 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.

5.1.2 To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

5.1.3 To develop and implement policy on engaging an external auditor to supply non-audit services, and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

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.

5.1.4 To act as the key representative body for overseeing the Company's relations with the external auditor.

5.2 Review of the Group's financial information

5.2.1 To monitor integrity of the Group's financial statements and annual report and accounts, and half-year report, and to review significant financial reporting judgements contained in such documents before submitting to the Board and with particular focus on:

- (i) any changes in accounting policies and practices;
- (ii) major judgemental areas;
- (iii) significant adjustments resulting from 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.

5.2.2 With regard to 5.2.1 above:

- (i) Members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's external auditor; and
- (ii) The Committee should consider any significant or unusual items that are, or may need to be, reflected in the report 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.

5.3 Oversight of the Group's financial reporting system, risk management and internal control systems

5.3.1 To review the Group's financial controls and the risk management and internal control systems.

5.3.2 To discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

5.3.3 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.

- 5.3.4 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 Group, and to review and monitor its effectiveness.
- 5.3.5 To review the Group's financial and accounting policies and practices.
- 5.3.6 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.
- 5.3.7 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- 5.3.8 To review arrangements that employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters related to the Group and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

5.4 Others

- 5.4.1 To report to the Board on the above matters.
- 5.4.2 To consider other topics, as defined by the Board.

6. REPORTING TO THE BOARD

The Committee shall report back to the Board and keep the Board informed of its findings, decisions or recommendations.

7. PUBLICATION OF THE TERMS OF REFERENCE

The terms of reference of the Committee are published on the respective websites of The Stock Exchange of Hong Kong Limited and the Company.

Hong Kong, 30 December 2022

* *For identification purpose only*