



MODERN HEALTHCARE TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

Terms of Reference of the Audit Committee

(Latest version adopted on 31 March 2023)

Constitution

1. The Audit Committee is established as a committee of the board of directors of the Company (the “**Board**”).

Objectives

2. The Audit Committee shall be responsible for reviewing and supervising the financial reporting process, risk management and internal control systems of the Company and its subsidiaries (the “**Group**”).

Membership

3. The Audit Committee shall consist of at least three members consisting of non-executive directors only, a majority of whom should be Independent Non-executive Directors and at least one of whom shall be an Independent Non-executive Director 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**”). All of them shall be appointed by the Board.
4. The Chairperson of the Audit Committee shall be appointed by the Board from among its Independent Non-executive Directors. 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 the person ceasing (i) to be a partner of the firm or (ii) to have any financial interest in the firm, whichever is later.
5. Only members of the Audit Committee are entitled to vote at the meeting of the Audit Committee. Subject to the Company’s articles of association (as amended from time to time), questions arising at any meeting of the Audit Committee shall be decided by a majority of votes, and in case of an equality of votes, the Chairperson shall have a second or casting vote.

Frequency of meetings

6. The Audit Committee shall meet at least twice a year and when necessary or at such other times as its Chairperson shall require. The external auditor may request a meeting if it considers necessary.

Proceedings of meetings

7. Meetings of the Audit Committee shall be called by its Chairperson or at the request of the Board.
8. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be issued to each member of the Audit Committee and any other person required to attend no fewer than three working days prior to the meeting.
9. A quorum shall be 2/3 of the members of the Audit Committee.
10. Meetings of the Audit Committee could be held in person, by telephone or by video conference. Members of the Audit Committee may participate in a meeting by means of which all persons participating in the meeting are capable of hearing each other.
11. Without prejudice to any requirement under the Listing Rules, a resolution in writing signed by all the members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.
12. The Chairperson of the Audit Committee shall preside as the Chairman of the meetings of the Audit Committee. In the absence of the Chairperson of the Audit Committee, the remaining members present shall elect one of them to chair the meeting.

Attendance at meetings

13. The Chief Financial Officer, the head of the Internal Audit Department, and a representative of the external auditor shall normally attend meetings. Other Board members shall have the right to attend meetings of the Audit Committee. However, the Audit Committee shall meet with the external and internal auditors of the Company without the presence of its Executive Directors at least once a year.
14. The Company Secretary (or his nominee) shall be the secretary of the Audit Committee. In the event that the Company Secretary is also an Executive Director, the Company Secretary's nominee shall attend meeting held between the Audit Committee and the external and internal auditors of the Company.
15. Full minutes of the meetings or, as the case may be, written resolutions, of the Audit Committee shall be kept by the secretary of the Audit Committee and they should be open for inspection at any reasonable time on reasonable notice by any Director. Minutes of meetings should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed. The secretary of the Audit Committee shall prepare and circulate to all members of the Audit Committee the draft and final versions of such minutes or written resolutions, for their comments and records respectively within a reasonable time after the meetings.

Authority

16. The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized 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.
17. The Audit Committee is authorized by the Board, at the Company's expense, to appoint legal and/or other Independent professional advisers with relevant experience and expertise to assist the Audit Committee and to secure the attendance of such professional advisers at its meetings if it considers this necessary.
18. The Audit Committee shall have separate and independent access to Senior Management and is authorized to require management to provide it with such resources as may be necessary for it to perform its duties.

Duties

19. The duties of the Audit Committee shall be:
 - (a) to consider all loans, irrespective of the amount, made to any Director;
 - (b) to review and supervise the Group's financial reporting processes and internal controls;
 - (c) 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;
 - (d) to review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process in accordance with the applicable standards;
 - (e) to discuss with the external auditor before the audit process commences, the nature and scope of the audit and reporting obligations, and ensure coordination where more than one auditor is involved;
 - (f) 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;
 - (g) to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (h) to monitor the integrity of the Group's financial statements and annual report and accounts, half-year report and to review significant reporting judgements contained in them before submission to the Board, focusing 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;
- (i) Regarding (h) above:
 - (I) to liaise with the Board and Senior Management and to meet, at least twice a year, with the Company's auditors;
 - (II) to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts; and
 - (III) to 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;
- (j) to discuss problems and reservations arising from the interim and final financial statements, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
- (k) 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;
- (l) 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;
- (m) 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;
- (n) to review the Group's financial and accounting policies and practices;

- (o) 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;
 - (p) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
 - (q) to report to the Board on the matters set out in the code provisions in Appendix 14 of the Listing Rules (as amended from time to time);
 - (r) to review the Company's statement on internal control systems to be included in the annual report prior to endorsement by the Board;
 - (s) to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
 - (t) to consider the major findings of internal investigations and management's response;
 - (u) to review arrangements by which employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
 - (v) to act as the key representative body for overseeing the Company's relationship with the external auditor; and
 - (w) to consider other topics, as defined or instructed by the Board.
20. The Audit Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).
21. The chairman of the Audit Committee or in his/her absence, another member of the Audit Committee or failing this, his/her duly appointed delegate, shall attend the Annual General Meeting of the Company (the "**Annual General Meeting**") and be prepared to respond to questions at the Annual General Meeting on the Audit Committee's work and responsibilities.

Availability and update of the terms of reference

22. The Audit Committee shall review on a regular basis its terms of reference, performance and constitution and recommend any changes it considers necessary to the Board for approval. The Audit Committee shall make available its terms of reference explaining its role and the authority delegated to it by the Board by including them on the Company's website and the website of Hong Kong Exchanges and Clearing Limited.