INNOCARE
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InnoCare Pharma Limited
諾誠健華醫藥有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 9969)

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

Definitions

1. For the purposes of these terms of reference (the "**Terms**"):

   Audit Committee means the audit committee established by the resolution of the Board in accordance with clause 2 of these Terms.

   Board means the board of directors of the Company.

   Chief Financial Officer means the senior officer of the Company responsible for financial management as appointed by the Board from time to time.

   Company Secretary means the company secretary of the Company.

   Directors means the directors of the Board.

   Group means the Company and its subsidiaries and associated companies at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries and associated companies, the present subsidiaries and associated companies of the Company or the businesses operated by its present subsidiaries and associated companies or (as the case may be) its predecessor.

   Hong Kong Listing Rules means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time).

Applicable Rules of the STAR Market means the PRC laws, regulations and normative documents applicable to the Company by virtue of the listing of its shares on the STAR Market of the Shanghai Stock Exchange.

Senior Management means the chairperson, chief executive officer, chief financial officer, chief technology officer and any other officers of the Company appointed by the Board from time to time; any other officers of the Company whose remuneration package is, or is proposed to be, more favourable than that of any officer appointed by the Board; and any other employees of the Company as may be determined by the Company's Remuneration Committee as part of senior management.

Shareholders means the shareholders of the Company.

Stock Exchange means The Stock Exchange of Hong Kong Limited.

Constitution

2. The Audit Committee was established by resolutions of the Board on September 27, 2019.

Membership

3. The members of the Audit Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom should be independent non-executive Directors and at least one of whom should be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Hong Kong Listing Rules and the applicable rules of the STAR Market. The quorum of an Audit Committee meeting shall be any two members of the Audit Committee one of whom must be independent non-executive Director.

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 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 the later.

5. The chairperson of the Audit Committee shall be appointed by the Board and must be an independent non-executive Director.

6. Members of the Audit Committee shall hold office for a term concurrent with their terms as Directors.

7. The Board shall have the power to remove or replace members of the Audit Committee and to fill any vacancies on the Audit Committee.

Attendance at meetings

8. The Chief Financial Officer, the head of internal audit of the Company and a representative of the external auditors shall normally attend meetings. However, at least once a year the Audit Committee shall meet with the external and internal auditors without the executive Directors present.

Frequency and procedure of meetings

9. Unless otherwise stated herein, the meetings are governed by the provisions contained in the Company's Articles of Association for regulating the meeting and proceedings of Directors.

10. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

11. The Company Secretary shall be the secretary of the Audit Committee.

12. An agenda and accompanying meeting papers should be sent in full to all Directors in a timely manner and at least 3 days before the intended date of a meeting of the Audit Committee (or other agreed period).

13. Each member shall have one vote. Resolutions proposed at the meeting shall be passed by a majority of the total exercisable votes of members present at the meeting (comprising the votes of attending members and votes cast by them on behalf of absent members).

14. Meetings shall be convened by way of video, telephone, or similar communication means. As long as such devices enable clear communication among all members attending the meeting, such members shall be deemed to have attended the meeting in person. A member who, due to special circumstances, is unable to present in person may appoint another member by a power of attorney to attend the meeting and exercise their voting rights, provided that the scope, authority and validity period of authorizations.

15. Senior Management should be responsible for providing sufficient information to the Audit Committee in a timely manner to facilitate the making of informed decision. Where more detailed and complete information is requested from the Senior Management, the respective Director shall make further inquiries if needed. The Board or individual Director(s) can contact the Senior Management individually and independently.

Annual General Meeting

16. The chairperson of the Audit Committee shall attend the Company's annual general meeting and be prepared to respond to any Shareholders' question on the Audit Committee's activities.

17. If the chairperson of the Audit Committee is unable to attend an Annual General Meeting of the Company, he/she shall arrange for another member of the Audit Committee, or failing this, his/her duly appointed delegate, to attend in his/her place. Such person shall be prepared to respond to any shareholder questions on the Audit Committee's activities.

Authority

18. The Audit Committee is authorised by the Board to investigate any 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.

19. The Audit Committee is authorised by the Board to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, at the company's expense, if it considers this necessary. The Audit Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external auditors who advises the Audit Committee.

Duties

20. The duties of the Audit Committee shall include:

    Relationship with the Company's auditors

    (a) 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 to consider any questions of resignation or dismissal of that auditor;

(b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) developing and implementing policy on the engagement of an external auditor to supply non-audit services and report to the Board, identifying and making recommendations on any matters in respect of which it considers that action or improvement is needed;

(d) discussing with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

(e) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of Senior Management where necessary);

Review of financial information of the Company

(f) monitoring integrity of financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements 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 audit;

  (iv) the going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with any requirements from the Stock Exchange, the applicable rules of the STAR Market and any legal requirements in relation to financial reporting;

(g) in regard to (f) above:

  (i) liaising with the Board, Senior Management and the person appointed as the Company's qualified accountant;

(ii) meeting, at least twice a year, with the Company's auditors; and

(iii) considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors;

Oversight of the Company's financial reporting system and internal control procedures

(h) reviewing the Company's financial controls and, unless expressly addressed by a separate Board risk committee or by the Board itself, reviewing the Company's risk management and internal control systems;

(i) discussing the risk management and internal control system with the Senior Management and to ensure that the Senior Management has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(j) considering major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and Senior Management's response to those findings;

(k) where an internal audit function exists, ensuring 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;

(l) reviewing the Group's financial and accounting policies and practices;

(m) reviewing the external auditor's management letter, any material queries raised by the auditor to Senior Management about accounting records, financial accounts or systems of control and Senior Management's response;

(n) ensuring that the board will provide a timely response to the issues raised in the external auditor's management letter;

(o) reporting to the board on the matters set out in these Terms;

(p) reviewing arrangements employees of the Company can use, in confidence, 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;

(q) acting as the key representative body for overseeing the Company's relation with the external auditor;

(r) establishing a whistle-blowing policy and system for employees of the Company and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company;

(s) considering any other topics, as defined by the Board; and

(t) considering and implementing other matters as required by the Hong Kong Listing Rules and the applicable rules of the STAR Market.

Failure to reach an agreement regarding external auditors

21. Where the Board has taken a different view from the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee shall submit a statement to the Company explaining its recommendation, which statement will be disclosed by the Company in the Corporate Governance Report in accordance with Appendix C1 of the Hong Kong Listing Rules.

Reporting procedures

22. Full minutes of the Audit Committee's meetings should be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary or the representative appointed by the Company Secretary). The minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.

    Minutes of meetings of the Audit Committee should record in sufficient detail the matters considered by the Audit Committee and decisions reached, including any concerns raised by the Directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.

23. Without prejudice to the generality of the duties of the Audit Committee set out above, the Audit Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on it to do so.

24. The Audit Committee shall ensure that the Board as a whole and Directors individually have proper access to reports and other materials related to the Committee's work (having regarding to the Listing Rules requirement for separate and independent access for the Board and Directors respectively to the Senior Management). It shall also ensure that such materials are of a form and quality sufficient to enable the Board to make informed decisions on matters placed before it, and that Directors will receive a prompt a full response to their enquiries.

Provision of terms of reference

25. The Audit Committee should provide the terms of reference upon request and upload it to the Hong Kong Stock Exchange's website, the Shanghai Stock Exchange's website and the Company's website to explain the duties of the Audit Committee and the authority the Board granted to it.

Supplementary Provisions

26. Matters not covered herein shall be implemented in accordance with the applicable laws, regulations, regulatory documents promulgated by the securities regulatory authorities and the stock exchanges at the places where the Company's shares are listed, and the Memorandum and Articles of Association of InnoCare Pharma Limited (the "**Applicable Provisions**"). If any amendment to the Applicable Provisions after the effective date of these Terms of Reference causes any inconsistency between these Terms of Reference and the Applicable Provisions, the Applicable Provisions shall prevail.

27. These Terms of Reference shall come into effect and be implemented from the date of consideration and approval by the Board.

28. The right to interpret and amend these Terms of Reference resides with the Board.