



Union Medical Healthcare Limited

香港醫思醫療集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2138)

(the “Company”)

TERMS OF REFERENCE

OF

AUDIT COMMITTEE

(the “Committee”)

(Adopted by the Company pursuant to the Board resolution passed on 19 February 2016)

Membership

1. The Committee shall be appointed by the board of directors of the Company (the “**Board**”) from amongst the non-executive directors and shall consist of not less than three members, at least one of whom is an independent non-executive director with 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**”).
2. The majority of the members of the Committee shall be independent non-executive directors of the Company.
3. The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director of the Company.

* *for identification purpose only*

4. 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 one year 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.
5. The term of membership will be one year from the date of appointment subject to renewal and shall be governed by the provisions of the Articles of Association of the Company.
6. The appointment of the members of the Committee may be revoked, and new members can be appointed in place by resolutions passed by the Board and by the Committee.
7. No alternate Committee member can be appointed.

Secretary

8. The Company Secretary of the Company shall be the secretary of the Committee. In the absence of the Company Secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Committee, shall attend the meeting of the Committee and take minutes.

Attendance at meetings

9. The Chief Financial Officer of the Company (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors shall normally attend meetings. Other Board members may be invited to attend a particular meeting in order to answer specific questions or concerns. Where an internal audit function exists, the Head of Internal Audit of the Company (or any officer(s) assuming the relevant functions but having a different designation) should normally attend meetings. However, at least once a year the Committee shall meet with the external and internal auditors (if any) without the presence of the management.

Frequency and proceedings of meetings

10. The Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings should be held as and when the Committee considers necessary.
11. The chairman of the Committee may convene additional meetings at his discretion.
12. The external auditors may also request a meeting if they consider that one is necessary.
13. The quorum of a meeting shall be two members of the Committee, both of whom shall be independent non-executive directors of the Company.
14. Proceedings of meetings of the Committee shall be governed by the provisions of the Articles of Association of the Company.

Notice of Meetings

15. Unless otherwise agreed by all the members of the Committee, notice of meetings shall be given to all members of the Committee at least seven days before the regular meeting. For all other meetings of the Committee, reasonable notice shall be given.
16. Agenda and accompanying supporting papers shall be sent to all members of the Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree).

Written Resolutions

17. A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the members of the Committee. Such resolution may be signed and circulated by fax or other electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a Board or Committee meeting to be held.

Authority

18. The authorities of the Committee shall include such authorities set out in the relevant code provisions of the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules (as amended from time to time).
19. The Committee is authorised by the Board to investigate any activity within its terms of reference and all employees are directed to cooperate as requested by members of the Committee.
20. The Committee is authorised by the Board to obtain outside legal or other independent professional advice if deemed required and to invite the attendance of outsiders with relevant experience and expertise if it considers necessary.
21. The Committee shall report to the Board on any suspected frauds and irregularities, failures of risk management and internal control or suspected infringements of or non-compliance with laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
22. The Committee is to be provided with sufficient resources to discharge its duties.

Responsibilities

23. The responsibilities of the Committee shall include such responsibilities set out in the relevant code provisions of the CG Code as contained in Appendix 14 to the Listing Rules (as amended from time to time).
24. The Committee is to serve as a focal point for communication between other directors, the external auditors and the internal auditors (where an internal audit function exists) as regards their duties relating to financial and other reporting, risk management and internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time.
25. The Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting system, risk management and internal control systems of the Company and its subsidiaries (the “**Group**”), overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

Duties, powers and functions

26. Without prejudice to any requirements under the CG Code, the duties of the Committee include the following:

Relationship with the Company's auditors

- (a) 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 to consider any questions of its resignation or dismissal;
- (b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) approve the policies on hiring employees or former employees of the external auditors and monitoring the application of these policies to examine whether there has been any impairment of the auditor's judgment or independence for the audit;
- (e) act as the key representative body for overseeing the Company's relation with the external auditor;

Review of the Company's financial information

- (f) 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 reviewing these reports before submission to the Board, the 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 the Listing Rules and legal requirements in relation to financial reporting;
- (g) In regard to (f) 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 auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and 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 person occupying the same position), or external auditors;

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

- (h) review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, review the Company's risk management and internal control systems;
- (i) 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;
- (j) 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;
- (k) where an internal audit function exists, 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 review and monitor the effectiveness of the internal audit function;
- (l) review the Group's financial and accounting policies and practices;
- (m) review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (n) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) report to the Board on the matters set out in these terms of reference;
- (p) consider other matters, specifically referred to the Committee by the Board; and

- (q) review arrangement by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.

Reporting Procedures

- 27. The Committee should report to the Board on a regular basis.
- 28. Full minutes of the Committee meetings should be kept by the secretary of the Committee. Draft and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comment and records within a reasonable time after the meeting. The secretary of the Committee shall circulate the minutes of meetings and all written resolutions of the Committee to all members of the Board, keeping the Board informed of the Committee's activities, decisions and recommendations on a regular basis.
- 29. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report to the Board on the findings and recommendations of the Committee. At least annually, the Committee should present a report to the Board which addresses the work and findings of the Committee during the year.
- 30. Reports to the Board and minutes of the Committee should be approved by the Committee before submitting to the Board.
- 31. Where the Board disagrees with the 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 Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

Annual general meeting

- 32. The chairman of the Committee (or in his or her absence, another member (who must be an independent non-executive director) of the Committee) shall attend the Company's annual general meeting and be prepared to respond to shareholders' questions on the Committee's works and responsibilities.

Availability and update of the terms of reference

33. These terms of reference shall be made available to the public by including the information on the websites of the Company and Hong Kong Exchanges and Clearing Limited. Subject to the Board approval, these terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and latest applicable amendments to the regulatory requirements under the Listing Rules adopted from time to time.

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