TrueHealth Technology

Guangdong True Health Medical Technology Development Co., Ltd.
廣東真健康醫療科技開發股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2697)

Terms of Reference of the Audit Committee of the Board of Directors

Chapter 1 General Provisions

Article 1 In order to strengthen the decision-making function of the board (the "**Board**") of directors (the "**Director(s)**") of Guangdong True Health Medical Technology Development Co., Ltd. (the "**Company**"), conduct prior audits and professional audits, ensure effective supervision of the Board of Directors over the management, and improve the corporate governance structure, the Company has established the audit committee of the Board of Directors (the "**Audit Committee**" or the "**Committee**") and formulated these Terms of Reference in accordance with the relevant provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules (the "**Corporate Governance Code**") and other laws and regulations, as well as the Articles of Association of Guangdong True Health Medical Technology Development Co., Ltd. (the "**Articles of Association**").

Article 2 The Audit Committee is a specialized working body set up by the Board of Directors in accordance with resolutions of the shareholders' meeting. Its main responsibilities are to coordinate, supervise and review the internal and external audits of the Company.

The Audit Committee is accountable to the Board of Directors, and shall submit its proposals to the Board of Directors for consideration and decision.

Chapter 2 Composition

Article 3 The Audit Committee shall consist of three or more Directors who are not senior management of the Company, and the number of members shall be in odd number. All of its members must be non-executive Directors, with a majority of them being independent non-executive Directors. At least one of these independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial management expertise as required under the Hong Kong Listing Rules.

Article 4 Members of the Audit Committee shall be nominated by either the chairman of the Board of Directors, more than one-half of the independent non-executive Directors or more than one-third of all Directors, and shall be elected by the Board of Directors.

A partner of the Company's current external audit firm shall not serve as a member of the Audit Committee within two years from the date on which he/she ceases to be a partner of such audit firm or ceases to be entitled to the financial benefits in the current external audit firm (whichever is later).

Article 5 The Audit Committee shall have one convenor (chairperson), who shall be an independent non-executive Director with appropriate accounting or related financial management expertise, and shall be responsible for convening and presiding over the work of the Committee. The convenor (chairperson) shall be elected from among the members of the Committee.

Article 6 The term of office of the Audit Committee shall be consistent with that of the Board of Director, and members may be re-elected upon the expiration of their term. If a Committee member ceases to be a Director of the Company or is no longer fit to be a member (e.g. a member who shall have the status of an independent non-executive Director no longer meets the independence requirements of the Hong Kong Listing Rules), such member shall cease to act as a member automatically, and the Committee shall fill the vacancy in accordance with the provisions of Articles 3 to 5 above.

Article 7 The Audit Committee shall have an internal audit department as its routine executive organ, which is responsible for daily liaison and meeting arrangements, etc. The internal audit department is accountable to the Audit Committee and shall report to it.

Chapter 3 Duties and Authorities

Article 8 The Audit Committee of the Board of Directors of the Company shall have the following duties:

(I) to be primarily responsible for making recommendations to the Board of Directors on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and handle any issues relating to the resignation or dismissal of such auditors;

(II) to review and monitor the independence and objectivity of the external auditors and the objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the auditors in respect of the nature and scope of the audit and reporting obligations before the audit commences;

(III) to formulate and implement policies on the provision of non-audit services by external auditors. For the purpose of this provision, "external auditors" shall include any entity under common control, ownership or management with the audit firm, or any entity whom a third party reasonably knows all relevant information and which could reasonably conclude that the entity is part of the local or international business of the audit firm. The Audit Committee shall report, identify and make recommendations to the Board of Directors on any matters that require action or improvement;

(IV) to monitor the integrity of the Company's financial statements and annual report and accounts, half-year reports and quarterly reports (if to be published), and to review significant financial reporting judgements contained in the statements and reports. Before submitting relevant statements and reports to the Board of Directors, the Committee shall review the following matters, in particular:

1. any changes in accounting policies and practices;

2. major judgmental areas;

3. significant adjustments arising from the audit;

4. the going concern assumptions and any qualified opinions;

5. whether accounting standards have been complied with;

6. whether the Hong Kong Listing Rules and legal requirements relating to financial reporting have been complied with;

(V) For the purpose of item (IV) above:

members of the Audit Committee shall liaise with the Board of Directors and senior management. The Audit Committee shall meet with the Company's auditors at least twice a year; and

the Audit Committee shall consider any material or unusual matters reflected or required to be reflected in such reports and accounts, and shall give due consideration to any matters raised by the Company's staff responsible for the accounting and financial reporting function, compliance officers or auditors;

(VI) to review the Company's financial controls, as well as the Company's risk management and internal control systems;

(VII) to discuss the risk management and internal control systems with management to ensure that management has fulfilled its responsibilities to have effective systems. The discussion shall include the adequacy of the Company's resources, staff qualifications and experience in accounting and financial reporting functions, as well as the adequacy of training courses received by staff and the relevant budgets;

(VIII) to consider major investigation findings on risk management and internal control matters and management's response to the findings, either on its own initiative or as directed by the Board of Directors;

(IX) to ensure that the work of internal and external auditors is coordinated; to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and to review and monitor their effectiveness;

(X) to review the financial and accounting policies and practices of the Company and its subsidiaries;

(XI) to inspect the audit statement letter provided by the external auditors to the management, any material questions raised by the auditors to the management in respect of the accounting records, financial accounts or monitoring system and the response from the management;

(XII) to ensure that the Board of Directors will respond in a timely manner to the matters raised in the audit statement letter issued by the external auditors to the management;

(XIII) to consider other topics as defined by the Board of Directors;

(XIV) to review the following arrangements set by the Company: employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other aspects. The Audit Committee shall ensure that proper arrangements are in place for the Company to conduct fair and independent investigations and take appropriate actions on such matters;

(XV) to serve as the main representative between the Company and the external auditors, and be responsible for overseeing the relationship between them;

(XVI) to report on the performance of other duties as set out in the Corporate Governance Code.

Article 9 The following matters shall be submitted to the Board of Directors for consideration subject to the approval of more than half of all members of the Audit Committee:

(I) disclosure of financial information and internal control evaluation reports in financial accounting reports and periodic reports;

(II) engagement or dismissal of an accounting firm that undertakes the audit work of the Company;

(III) appointment or dismissal of the person in charge of financial affairs of the Company;

(IV) making changes in accounting policies or accounting estimates, or correction of material accounting errors due to reasons other than changes in accounting standards;

(V) other matters as stipulated by the laws and regulations, the securities regulatory rules of the place(s) where the Company's shares are listed, and the Articles of Association.

The Audit Committee shall report to the Board of Directors and make recommendations on measures or matters that it deems necessary to take or improve.

Article 10 When supervising and evaluating the work of the internal audit department, the Audit Committee shall perform the following major duties:

(I) to guide and supervise the establishment and implementation of the internal audit system;

(II) to review the Company's annual internal audit work plan;

(III) to supervise the implementation of the Company's internal audit plan;

(IV) to guide the effective operation of the internal audit department. The internal audit department of the Company shall report to the Audit Committee on its work, and all kinds of audit reports submitted by the internal audit department to the management, the rectification plan of audit problems and the rectification status shall be submitted to the Audit Committee at the same time;

(V) to report to the Board of Directors on the progress, quality of, and major issues identified in, internal audit work;

(VI) to coordinate the relationship between the internal audit department and external audit units such as accounting firms and state audit institutions.

Article 11 The Company shall provide necessary working conditions for the Audit Committee, and assign special personnel or institutions to undertake the daily work of the Audit Committee, such as work liaison, meeting organization, material preparation, and file management. When the Audit Committee performs its duties, the management and relevant departments of the Company shall cooperate. The Audit Committee may engage intermediary institutions to provide professional advice if it deems necessary, and the relevant costs shall be borne by the Company.

Article 12 The Audit Committee shall make available its terms of reference on the websites of The Stock Exchange of Hong Kong Limited and the Company, explaining its role and authority delegated to it by the Board of Directors.

Article 13 Members of the Audit Committee shall be diligent and responsible, supervise and evaluate the internal and external audits of the Company, and support the Company's establishment of effective internal control and provision of true, accurate, and complete financial reports.

Article 14 The appointment or replacement of an external audit firm by the Company shall be subject to the Audit Committee's review opinion and recommendation to the Board of Directors before the Board of Directors may deliberate on the relevant proposal. The Audit Committee shall make recommendations to the Board of Directors regarding the appointment or replacement of an external audit firm and review the audit fees and engagement terms of the external audit firm, and shall not be subject to undue influence from the substantial shareholders, de facto controllers or Directors and senior management of the Company. The Audit Committee shall urge the external audit firm to be honest, trustworthy, diligent and responsible, strictly abide by business rules and industry self-regulatory regulations, strictly implement the internal control system, exercise due diligence in verifying and certifying the financial accounting reports of the Company, and prudently issue professional opinions.

Article 15 The Audit Committee of the Board of Directors shall review the financial accounting reports of the Company, and put forward opinions on the authenticity, accuracy and completeness of such reports. It shall focus on major accounting and auditing issues in the Company's financial and accounting reports, paying special attention to the possibility of fraud, embezzlement and material misstatements related to the financial accounting reports, and supervise the rectification of issues in the financial accounting reports.

Article 16 The Board of Directors of the Company or its Audit Committee shall issue an annual internal control evaluation report based on the evaluation report and relevant information issued by the internal audit department. The internal control evaluation report shall include at least the following contents:

(I) statement of the Board of Directors on the authenticity of the internal control report;

(II) overall situation of internal control evaluation;

(III) the basis, scope, procedures and methods for the internal control evaluation;

(IV) deficiencies in internal control and their identification;

(V) rectification of deficiencies in internal control for the previous year;

(VI) rectification measures proposed to be taken for deficiencies in internal control for the current year;

(VII) conclusion on the effectiveness of internal control.

Article 17 The Audit Committee is required to disclose in the annual report a summary of its work during the year to the shareholders, including: a report on how it performed its duties in reviewing the quarterly (if any), half-year and annual results, and (unless otherwise handled by a separate risk committee under the Board of Directors or explicitly by the Board of Directors itself) reviewing the risk management and internal control systems, the effectiveness of the Company's internal audit function and performing other responsibilities set out in the Corporate Governance Code; details of non-compliance (if any) with the relevant requirements of the Hong Kong Listing Rules, and an explanation of the remedial steps taken by the Company for failing to comply with the requirements for establishing an audit committee.

Chapter 4 Decision-making Procedures

Article 18 The internal audit department is responsible for making preliminary preparations for the decision-making of the Audit Committee and providing written information from relevant parties of the Company including:

(I) relevant financial systems and financial reports of the Company;

(II) work reports of internal and external audit institutions;

(III) external audit contracts and relevant work reports;

(IV) public disclosure of information made by the Company;

(V) audit reports regarding material connected transactions of the Company;

(VI) other related matters.

Article 19 The Audit Committee shall review the report provided by the internal audit department at its meeting, and submit the relevant written resolution materials to the Board of Directors for discussion:

(I) evaluation of the work of, and the appointment and replacement of, external audit institutions;

(II) whether the Company's internal audit system has been effectively implemented and whether the Company's financial reports are comprehensive and true;

(III) whether the financial reports and other information disclosed by the Company to the public are objective and true, and whether the material connected transactions of the Company are in compliance with relevant laws and regulations;

(IV) evaluation of the work of the finance department and audit department of the Company, including their responsible personnel;

(V) other relevant matters.

Chapter 5 Rules of Procedure

Article 20 Audit Committee meetings may be divided into regular meetings and extraordinary meetings. Regular meetings shall be held at least twice a year, and reports shall be made to the Board of Directors, covering contents including but not limited to the implementation of the internal audit plan and issues identified in the internal audit work. An extraordinary meeting shall be proposed by members of the Audit Committee and convened with the consent of more than half of the members. All members shall be notified of the meeting three days prior to the convening thereof. If the situation is urgent and it is necessary to convene a meeting of the Audit Committee as soon as possible, the meeting notice may be given at any time by telephone or other oral means, but the convenor shall make an explanation at the meeting.

Such meeting shall be presided over by the convenor, and if the convenor is unable to attend, he/she may authorize another member (an independent non-executive Director) to preside over it.

Article 21 A meeting of the Audit Committee shall be held only if at least two-thirds of the members are present. Each member shall be entitled to one vote. A resolution shall be deemed to be passed only if it is approved by a majority of all members at the meeting.

Article 22 Voting at an Audit Committee meeting shall be by a show of hands, by poll or vote via communication.

Article 23 Members of the internal audit department may attend the meetings of the Audit Committee. Directors and other senior management officers of the Company may also be invited to attend meetings where necessary.

Article 24 The procedures for convening meetings of the Audit Committee, the voting methods and any resolutions passed at such meetings must comply with the provisions of relevant laws, regulations, the Articles of Association and these Terms of Reference.

Article 25 Minutes shall be taken for meetings of the Audit Committee, which shall be signed by the members present at the meeting. The minutes shall be kept by the company secretary for a period of not less than 10 years. Full minutes of the Audit Committee shall be kept by the duly appointed secretary of the Committee (who shall normally be the company secretary). Draft and final versions of minutes shall be sent to all members of the Committee within a reasonable time after the meeting, with the draft to be used for the members to express their opinions and the final version used for their records.

Article 26 Resolutions passed at a meeting of the Audit Committee and the voting results thereon shall be reported to the Board of Directors of the Company in writing.

Article 27 All members attending the meeting shall have a duty of confidentiality with respect to the matters discussed thereat, and shall not disclose any relevant information without authorization.

Chapter 6 Supplementary Provisions

Article 28 The interpretation of these Terms of Reference shall be vested in the Board of Directors of the Company.

Article 29 These Terms of Reference shall come into effect from the date on which they are approved by a resolution of the Board of Directors and on which the overseas listed shares (H shares) publicly issued by the Company are listed and traded on The Stock Exchange of Hong Kong Limited.

Article 30 Matters not covered in these Terms of Reference or in case of any inconsistency between these Terms of Reference and the relevant laws, regulations, the Hong Kong Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchange(s) of the place(s) where the Company's shares are listed and the Articles of Association, the provisions of the relevant laws, regulations, the Hong Kong Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchange(s) of the place(s) where the Company's shares are listed and the Articles of Association shall prevail. In the event of any conflict with any laws, regulations, the Hong Kong Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchange(s) of the place(s) where the Company's shares are listed promulgated in the future or the Articles of Association, the provisions of such laws, regulations, the Hong Kong Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchange(s) of the place(s) where the Company's shares are listed, and the Articles of Association shall prevail, and these Terms of Reference shall be amended accordingly as soon as possible and submitted to the Board of Directors for consideration and approval.