

**RepublicHealthcare**  
**Republic Healthcare Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
(the “**Company**”)  
(**Stock Code: 8357**)

**TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

(As adopted by board (the “**Board**”) of directors (the “**Directors**”) of the Company on 18 May 2018 and amended on 20 March 2019)

**1. CONSTITUTION**

1.1 The Board had resolved to establish a committee of the Board to be known as the Audit Committee (the “**Audit Committee**”) at a meeting held on 18 May 2018 and adopted the following terms of reference for the Audit Committee. Such terms were amended by the Board on 20 March 2019.

**2. MEMBERSHIP**

- 2.1 The Audit Committee shall be appointed by the Board and must consist of a minimum of three members (the “**Members**”) as required in Rule 5.28 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**” and the “**GEM Listing Rules**”, respectively).
- 2.2 Membership shall be confined to non-executive Directors only. The majority of the Audit Committee must be independent non-executive Directors (the “**INEDs**”) and at least one INED must possess appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules.
- 2.3 The chairman of the Audit Committee (the “**Chairman**”) shall be appointed by the Board and must be an INED.
- 2.4 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member for a period of two years commencing on the date of his/her ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

### 3. SECRETARY

- 3.1 The company secretary of the Company (the “**Company Secretary**”) shall be the secretary of the Audit 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 Audit Committee shall attend the meeting of the Audit Committee and take minutes.
- 3.2 Notwithstanding any other provisions in these terms of reference, the Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Audit Committee.

### 4. MEETINGS

- 4.1 The Audit Committee shall meet at least twice each year. The Company’s external auditors may request a meeting if they consider that one is necessary.
- 4.2 Notice of any meetings, confirming the venue, time and date and including an agenda and accompanying papers, has to be given at least 7 days prior to any such meeting being held, unless all Members waive such notice. If a meeting is called by a shorter notice, it shall be deemed to have been duly called if it is so agreed by a majority of the Members. A Member who attends such a meeting shall deem to agree to the shorter notice. Notice of any adjourned meetings is not required if the adjournment is less than 14 days.
- 4.3 The quorum of the Audit Committee shall be two Members.
- 4.4 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by telephone or through other electronic means of communication provided that all persons participating in the meeting are capable of hearing each other.
- 4.5 Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present or participating therein by other means.
- 4.6 A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

4.7 Full minutes of the Audit Committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary) and available for inspection by any Member and/or any Director at any reasonable time with reasonable notice. Draft and final versions of minutes of the meetings should be sent to all Members for their comment and records within a reasonable time after the meeting.

## 5. ATTENDANCE AND VOTING AT MEETINGS

5.1 At least twice a year, representatives of the Company's external auditors will meet the Audit Committee without any executive Directors being present, except by invitation of the Audit Committee.

5.2 At the invitation of the Audit Committee, the following persons may attend the meeting:

- (i) Head of the Company's internal audit function (the "**Internal Audit**") (if there exists such function) or a representative from Internal Audit;
- (ii) Group Finance Director or Head of Accounts Department (or any person occupying the same position);
- (iii) other members of the Board; and
- (iv) other persons.

5.3 Only Members are entitled to vote at the meetings.

## 6. ANNUAL GENERAL MEETING

6.1 The Chairman or a Member shall attend the Company's annual general meeting (the "**AGM**") and be prepared to respond to shareholders' questions on the Audit Committee's activities and its responsibilities. If the Chairman is unable to attend, a Member shall attend the AGM. Such person shall be prepared to respond to any shareholder's questions on the Audit Committee's activities.

## **7. CONTINUING APPLICATION OF THE ARTICLES OF ASSOCIATION OF THE COMPANY (THE “ARTICLES OF ASSOCIATION”)**

7.1 The Articles of Association regulating the meetings and proceedings of all directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Audit Committee.

## **8. RESPONSIBILITY AND POWERS**

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company’s financial reporting system and internal control procedures; and in reviewing the design and operational adequacy and effectiveness of the Company’s risk management and internal control systems and the monitoring results. The Audit Committee shall have the following responsibilities and powers:

### **Relationship with the Company’s auditors**

8.1 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 of that auditor;

8.2 to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; *Note 1*

8.3 to develop and implement a policy on the engagement of an external auditor to supply non-audit services. For this purpose, “external auditor” shall include any entity that is under the common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing that all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed to be taken;

## **Review of the Company's financial information**

8.4 to review and monitor the integrity of the Company's financial statements, annual reports and accounts, half-year reports 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 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 the GEM Listing Rules and legal requirements in relation to financial reporting;

8.5 In regard to paragraph 8.4 above:

- (i) members of the Audit Committee should liaise with the Board and senior management;
- (ii) the Audit Committee must meet, at least twice a year, with the Company's external auditors; and
- (iii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts; it must 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;

## **Oversight of the Company's financial reporting system as well as risk management and internal control systems**

- 8.6 to review the Company's financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control systems;
- 8.7 to discuss the Company's risk management and internal control systems with the Company's management to ensure that management has performed its duty to have effective internal control 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;
- 8.8 to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 8.9 to act as the key representative body for overseeing the Company's relations with the external auditors;
- 8.10 to consider major investigation findings on risk management and internal control matters as delegated by the Board or on the Audit Committee's own initiative and management's response to these findings;
- 8.11 where an Internal Audit exists, to ensure co-ordination between the internal and external auditors, and to ensure that the Internal Audit is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- 8.12 to review the Group's financial and accounting policies and practices of the Company and its subsidiaries (the "**Group**");
- 8.13 to 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;
- 8.14 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

8.15 to report to the Board on the matters in these terms of reference; and

8.16 to consider other topics as defined by the Board;

### **Oversight of the Company's corporate governance matters**

8.17 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

8.18 to review and monitor the training and continuous professional development of the Directors and senior management;

8.19 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

8.20 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and Directors; and

8.21 to consider other topics as defined by the Board.

## **9. REPORTING**

9.1 The Audit Committee shall report to the Board after each meeting on all matters within its responsibilities.

## **10. AUTHORITY**

10.1 The Audit Committee is authorised by the Board to inspect all accounts, books and records of the Company.

10.2 The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purpose of discharging its duties.

10.3 A Director as a Member may seek independent professional advice on appropriate circumstances at the Company's expense to discharge his/her duties as a Member to the Company. <sup>Note 2</sup>

10.4 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report of the Company's annual report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

10.5 The Audit Committee shall have the power to review the effectiveness of the Group's risk management and internal control systems, and to make recommendations to the Board for improvement in such areas. The review may cover all material controls including financial, operational and compliance controls.

10.6 The Audit Committee shall have access to sufficient resources to perform its duties.

## **11. PUBLICATION OF THE TERMS OF REFERENCE**

11.1 These terms of reference, explaining the role of the Audit Committee and the authority delegated to it by the Board, will be posted on the websites of the Company and the Stock Exchange.

### *Notes:*

1. (a) The Audit Committee may establish the following procedures to review and monitor the independence of external auditors:
  - (i) consider all relationships between the Group and/or the Directors and the external auditors (including non-audit services);
  - (ii) seek from the external auditors on an annual basis, information about the policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and
  - (iii) meet with the external auditors, at least annually, in the absence of management, to discuss matters relating to the audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.
- (b) The Audit Committee may agree with the Board the Company's policies on hiring employees or former employees of the external auditors and monitoring the application of these policies. The Audit Committee should then be in a position to consider whether there has been or appears to be any impairment of the auditor's judgment or independence in respect of the audit.

- (c) The Audit Committee should ensure that an external auditor’s provision of non-audit services does not impair its independence or objectivity. When assessing the external auditor’s independence or objectivity in relation to non-audit services, the Audit Committee may consider:
- (i) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;
  - (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;
  - (iii) the nature of non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and
  - (iv) the criteria which govern the compensation of the individuals performing the audit.
- (d) For further guidance, the Company may refer to the “Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor’s Independence” issued by the Technical Committee of the International Organization of Securities Commissions in October 2002 and “A Guide for Effective Audit Committees” published by the Hong Kong Institute of Certified Public Accountants in February 2002. The Company may also adopt the terms of reference in those guides, or any other comparable terms of reference for establishing an Audit Committee.

2. Arrangement to seek professional advice could be made through the Company Secretary.

*Note: If there is any inconsistency between the English and Chinese versions of these Terms of Reference, the English version shall prevail.*