



New Century Healthcare Holding Co. Limited
新世紀醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1518)

Terms of reference of the Audit Committee of the Board of the Company

Adopted on December 22, 2016

and amended on March 25, 2019

DEFINITIONS

In these terms of reference, unless the context otherwise requires, the following terms have the meanings set out below:

“Board”	means the Board of Directors of the Company;
“Committee”	means the Audit Committee of the Board of the Company;
“Company”	means New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司);
“Directors”	means the directors of the Company, and “Director” means any one of them;
“Group”	means the Company and its subsidiaries;
“Independent Non-executive Directors”	means non-executive Directors meeting the requirements of independence set out in the Listing Rules, and “Independent Non-executive Director” means any one of them;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and
“senior management”	means the persons referred to in the Company’s corporate communications as senior management from time to time.

OBJECTIVES

1. The primary objectives of the Committee are to assist and support the Board in (i) ensuring that the Company has an effective financial reporting, risk management and internal control system in compliance with the Listing Rules, (ii) overseeing the integrity of the Company's financial statements, (iii) assessing the qualifications of the Company's external auditor, and (iv) ensuring effective communication among the Company, its internal auditors and external auditors.

MEMBERSHIP

1. The Committee shall comprise not less than three Directors, all of whom shall be non-executive Directors and the majority of whom shall be Independent Non-executive Directors. At least one of the Committee members shall be 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 Listing Rules.
2. A former partner of the Company's 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.
3. The chairperson of the Committee shall be appointed by the Board and shall be an Independent Non-executive Director. In his/her absence, the Committee members present may elect another Committee member who is an Independent Non-executive Director to chair the meeting.
4. The secretary of the Committee shall be the Company's secretary or any person designated as such by the Committee from time to time.
5. If a regular member of the Committee is unable to act due to absence, illness or any other cause, the chairperson of the Committee may appoint any non-executive Director (other than a person who is already a member of the Committee) to serve as an alternate Committee member.

PROCEEDINGS

1. The quorum for meetings of the Committee shall be any two of its members, one of whom must be an Independent Non-executive Director. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all of the authorities, powers and discretions vested in or exercisable by the Committee.
2. The chairperson of the Committee may convene meetings at his discretion, but in any event meetings of the Committee are to be held not less than two times every year, or at such frequency as required under the Listing Rules or other regulatory requirements applicable to the Company from time to time. In addition, the Company's external auditors may request a meeting of the Committee if they consider that is necessary.

3. The secretary of the Committee shall, on the requisition of the members of the Committee, summon a meeting of the Committee. An agenda and accompanying papers shall be circulated to all Committee members (including alternate member(s) that may be appointed pursuant to paragraph 5 of the section headed "Membership" above) in a timely manner and at least three days before the intended date of a Committee meeting insofar as it is practicable.
4. The Chief Financial Officer and a representative of the Company's external auditors shall normally attend meetings of the Committee. At the discretion of the Committee, other persons (including other members of the Board and other senior management) may be invited to attend Committee meetings.
5. At least once a year the Committee shall meet with the external and internal auditors without executive Directors present.
6. Committee members may participate in a meeting by means of a conference telephone or other communications equipment through which all members participating in the meeting can communicate with each other simultaneously and instantaneously. For the purpose of counting a quorum, such member shall constitute presence at a meeting as if those participating were present in person.

AUTHORITY

1. The Committee is authorized by the Board to review or investigate into any activity within its terms of reference. It is authorized to seek any information it requires from any Director or employees of the Group, and all Directors and employees are directed to co-operate with any request made by the Committee. The Committee has full and unrestricted access to any information pertaining to the Group and its management.
2. The Committee is authorized by the Board to obtain outside legal or other independent professional advice on any matters within its duties and responsibilities at the Company's expense, and to secure the attendance of any person with relevant experience and expertise at Committee meeting as it considers appropriate.
3. The Committee may also exercise such powers as it may consider necessary and expedient so that its duties and responsibilities under its terms of reference can be properly discharged.
4. The Committee shall be provided with sufficient resources to perform its duties and responsibilities in accordance with its terms of reference.

DUTIES AND RESPONSIBILITIES

1. The duties and responsibilities of the Committee include the following:
 - 1.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions of their resignation or dismissal;
 - 1.2 to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
 - 1.3 to develop and implement policy on engaging external auditors 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;
 - 1.4 to monitor integrity of the Company's financial statements and annual report and accounts, interim 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 Committee should focus particularly on:
 - 1.4.1 any changes in accounting policies and practices;
 - 1.4.2 major judgmental areas;
 - 1.4.3 significant adjustments resulting from audit;
 - 1.4.4 the going concern assumptions and any qualifications;
 - 1.4.5 compliance with accounting standards; and
 - 1.4.6 compliance with the Listing Rules and legal requirements in relation to financial reporting;

1.5 regarding paragraph 1.4 of this section headed “Duties and Responsibilities” above:

1.5.1 members of the Committee should liaise with the Board and the senior management and the Committee must meet, at least twice a year, with the Company’s external auditors; and

1.5.2 the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, 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 auditors;

1.6 to review the Company’s financial controls, and risk management and internal control systems and the effectiveness of the Company’s internal audit function;

1.7 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to establish and maintain effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company’s accounting and financial reporting function;

1.8 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;

1.9 to ensure coordination 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;

1.10 to review the Group’s financial and accounting policies and practices;

1.11 to review the external auditors’ management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management’s response;

1.12 to ensure that the Board will provide a timely response to the issues raised in the external auditors’ management letter;

1.13 to report to the Board on the matters set out in this section and included under the heading “Audit Committee” in Appendix 14 to the Listing Rules;

1.14 to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- 1.15 to act as the key representative body for overseeing the Company's relations with the external auditors;
- 1.16 the Committee shall establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company; and
- 1.17 to consider other matters as referred to the Committee by the Board or as defined by the Board.

Reporting Procedures and Miscellaneous

1. Minutes of meetings or reports of the Committee shall be maintained by the secretary to the meetings of the Committee and shall be open for inspection at any reasonable time on reasonable notice by any Director. The secretary to any meeting of the Committee shall circulate the minutes of the meeting of the Committee for which he has acted as secretary in draft and final forms to all members of the Committee within a reasonable time after such meeting is held.
2. The Committee shall report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.
3. The chairperson of the Committee should attend annual general meetings of the Company to answer questions from the shareholders. In his/her absence, the Committee members present shall nominate another Committee member or failing this his/her duly appointed delegate to attend in his/her stead.