



EDS Wellness Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8176)

TERMS OF REFERENCE OF AUDIT COMMITTEE

**(Adopted by the Company pursuant to the Board resolution passed on 27 March 2012
and amended on 31 December 2015)**

CONSTITUTION

1. The board (the “**Board**”) of directors (the “**Directors**”) of the Company has resolved to establish an audit committee as the audit committee of the Board (the “**Audit Committee**”).

MEMBERSHIP

2. The Audit Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members (the “**Members**”), at least one of whom has professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The majority of Members should be independent non-executive Directors.
3. The appointment of the Members may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board and by the Audit Committee. An appointment of Member shall be automatically revoked if such Member ceases to be a member of the Board.
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 one year from the date of his ceasing:
 - (a) to be a partner of the auditing firm; or
 - (b) to have any financial interest in the auditing firm,whichever is later.
5. The chairman of the Audit Committee (the “**Chairman**”) shall be appointed by the Board and shall be an independent non-executive Director.

6. The company secretary shall be the secretary of the Audit Committee (the “**Secretary**”).
7. The Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the Secretary.

MEETINGS

8. The Audit Committee shall meet at least twice each year. Additional meetings shall be held as the work of the Audit Committee demands. The Company’s external auditors may request the chairman of the Audit Committee to convene a meeting if they consider that one is necessary.
9. Notice of any meetings has to be given a reasonable time prior to any such meeting being held, unless all Members unanimously waive such notice. Notice shall be given to each Member in person orally or in writing or by telephone or by email or by facsimile transmission. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.
10. The quorum of the Audit Committee meeting shall be any two Members.
11. Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.
12. Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present.
13. A resolution in writing signed by all the Members of the Audit Committee shall be as valid and effectual as if had been passed at a meeting of the Audit Committee duly convened and held.
14. Minutes of the Audit Committee shall be kept by the Secretary. Draft and final version of minutes shall be circulated to all Members for their comment and records within a reasonable period of time after the meeting. Such minutes shall be open for directors’ inspection.
15. The chief financial officer 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 auditors without executive Board members present.

AUTHORITY

16. The Audit Committee shall be provided with sufficient resources to perform its duties.
17. The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized 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.
18. The Audit Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

DUTIES

19. The duties of the Audit Committee shall include:

Relationship with external auditors

- (a) to consider and make 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 any questions of resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and the group's accounting policies, to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one audit firm is involved;
- (c) to 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (e) to act as the key representative body for overseeing the Company's relations with the external auditor;

Review the Company's financial information

- (f) to monitor integrity of Company's financial statements and the Company's annual report and accounts, interim report and 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 judgemental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards, and
 - (vi) compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and legal requirements in relation to financial reporting.
- (g) Regarding (f) above:
 - (i) Members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the external auditors; and
 - (ii) the Audit 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 external auditors.

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

- (h) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- (i) to 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) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and the management's response;
- (k) where an internal audit function exists, to ensure 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) to consider major investigation finding on risk management and internal control matters as delegated by the Board and or on its own initiative and management's response to these findings;
- (m) to review the group's financial and accounting policies and practices;
- (n) to ensure the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) to report to the Board on the above matters;
- (p) to consider other topics, as defined by the Board; and
- (q) to review arrangements 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.

PROCEDURES

20. The Secretary shall circulate the draft and final versions of the minutes of meetings and reports of the Audit Committee to all Members for comments and records within a reasonable time after each meeting. The Chairman shall report in the forthcoming regular Board meeting any key decisions made and shall table before the Board an index of meetings and issues discussed. The Chairman, in consultation with the chief financial officer of the Company and the Secretary, should be primarily responsible for drawing up and approving the agenda of each Audit Committee meeting. The Chairman, with the assistance of the chief financial officer of the Company, shall ensure that all Members shall have sufficient information in a timely manner to enable effective discussion at a Audit Committee meeting and be briefed of the issues arising at each Audit Committee meeting. The Secretary shall record minutes of all duly constituted meetings of the Audit Committee. All minutes shall record in sufficient detail the matters considered, decisions reached or recommendations made and any concerns raised by any Member, the external auditor including dissenting views of any Member.

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