



HUTCHMED (China) Limited

Audit Committee - Terms of Reference

Adopted by the board of directors on 21 April 2006
and amended by the board of directors on 8 August 2006, 8 August 2007,
20 November 2008, 17 March 2016, 10 December 2019, 30 June 2021
and 1 January 2023

Purpose

The purpose of the Committee is to oversee the accounting and financial reporting process and the audit of the financial statements of the Company.

1. Definitions

In these terms of reference:

“**AGM**” means the annual general meeting of the Company;

“**Board**” means the board of directors of the Company;

“**Committee**” means the audit committee of the Board;

“**Company**” means HUTCHMED (China) Limited (formerly known as “Hutchison China MediTech Limited”);

“**Exchange Act**” means U.S. Securities Exchange Act of 1934, as amended;

“**Hong Kong Listing Rules**” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and

“**Sarbanes-Oxley Act**” means the U.S. Sarbanes-Oxley Act of 2002.

2. Membership

2.1 Members of the Committee shall be appointed by the Board, in consultation with the chairman of the Committee. The Committee shall be made up of at least three members.

2.2 All of the members of the Committee shall be independent non-executive directors in accordance with the requirements of Rule 10A-3 of the Exchange Act and the rules of the NASDAQ stock market, subject to any applicable exemptions thereunder. The chairman of the Board shall not be a member of the Committee. Each member of the Committee must be able to read and understand fundamental financial statements, including the balance sheet, income statement and cash flow statement of the Company. In addition, at least one member of the Committee must be designated by the Board to be the “audit committee financial expert”, as defined by the U.S. Securities Exchange Commission pursuant to the Sarbanes-Oxley Act and at least one member must 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 Hong Kong Listing Rules.

- 2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend all or part of a meeting, as and when appropriate.
- 2.4 The external auditors of the Company shall be invited to attend meetings of the Committee on a regular basis.
- 2.5 The Board shall appoint the chairman of the Committee. In the absence of the chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

3. Secretary

The Company Secretary or his/her nominee shall act as the secretary of the Committee.

4. Quorum

The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. Frequency of Meetings

The Committee shall meet at least twice a year and at such other times as the chairman of the Committee shall require.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members, or at the request of the external auditors or the head of internal audit if they consider it necessary.
- 6.2 Unless otherwise agreed, notice of each meeting (confirming the venue, time and date, together with an agenda of items to be discussed) shall be forwarded to each member of the Committee and any other person required to attend no later than 14 days before the date of the meeting. 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 meeting is not required if the adjournment is less than 14 days. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

7. Minutes of Meetings

- 7.1 The secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance.

7.2 Minutes of Committee meetings shall be circulated promptly within a reasonable time after the meetings to all members of the Committee and, once agreed, to all other members of the Board.

7.3 Any declaration of interest by directors and executives on items considered at the Committee meeting shall be minuted in the minutes accordingly.

8. Resolutions

Resolutions of the Committee shall be passed by a majority of votes which can also be passed by way of unanimous written resolutions. Meetings can be held in person, by telephone or by video conference.

9. AGM

The chairman of the Committee shall attend the AGM to respond to shareholder questions on the activities of the Committee.

10. Duties

The Committee shall carry out the duties below for the Company.

10.1 Financial Reporting

10.1.1 The Committee shall monitor the integrity of the financial statements of the Company, the annual report and accounts and half-year report and accounts of the Company, announcements of interim and final results, and to review significant financial reporting issues and judgements which they contain. In reviewing these reports (if applicable) before submission to the Board, the Committee should focus particularly on:-

(i) financial reporting and accounting policies and practices and any changes in these 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 requirements under the applicable corporate governance code or stock exchange rules or other legal requirements in relation to financial reporting;

10.1.2 Regarding 10.1.1 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 external 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, it should give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer (or person occupying the same position) of the Company or external auditors;

10.1.3 The Committee shall provide advice, where requested by the Board, on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the position and performance, business model and strategy of the Company.

10.1.4 The Committee shall review, whenever practicable without being inconsistent with any requirement for prompt reporting under applicable listing rules, other statements containing financial information such as significant financial returns to regulators and release of price sensitive information first where Board approval is required.

10.1.5 The Committee shall review and challenge where necessary:

10.1.5.1 the consistency of, and any changes to, accounting policies, both on a year on year basis and across the Company;

10.1.5.2 the methods used to account for significant or unusual transactions where different approaches are possible;

10.1.5.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors;

10.1.5.4 the clarity of disclosure in the financial reports of the Company and the context in which statements are made; and

10.1.5.5 all material information presented with the financial statements, such as any operating and financial review and any corporate governance statement (insofar as it relates to the audit and risk management).

10.2 Internal Controls and Risk Management Systems

The Committee shall:

- 10.2.1 keep under review the effectiveness of the financial reporting and internal control framework and policies of the Company as well as the policies and procedures for the identification, assessment and reporting of financial and non-financial risks and the management of those risks by the Company in accordance with the requirements of the Sarbanes-Oxley Act and other applicable laws, rules and regulations and the applicable requirements of any stock exchange;
- 10.2.2 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 accounting and financial reporting function of the Company;
- 10.2.3 consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the response from management to these findings;
- 10.2.4 review the financial and accounting policies and practices of the group;
- 10.2.5 review and approve any statements to be included in the annual report and accounts of the Company concerning internal controls and risk management.

10.3 Whistleblowing

The Committee shall establish procedures for:

- 10.3.1 the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- 10.3.2 the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
- 10.3.3 documentation and testing of key internal controls over financial reporting required to give assurance that the internal controls system is operating effectively, sufficient to allow management, to make any required certifications pursuant to the Sarbanes-Oxley Act and rules and regulations thereunder.

The Committee shall review the Complaints Procedures for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, about possible improprieties in any matter related to the Company, including but not limited to improprieties in financial reporting and internal control. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

10.4 Internal Audit

The Committee shall:

- 10.4.1 monitor and review the effectiveness of the internal audit function of the Company in the context of the overall risk management systems of the Company;
- 10.4.2 approve the appointment and removal of the head of the internal audit function;
- 10.4.3 consider and approve the remit of the internal audit function, and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 10.4.4 review and assess the annual internal audit plan;
- 10.4.5 review promptly all reports on the Company from the internal audit function;
- 10.4.6 review and monitor the responsiveness of executive management to the findings and recommendations of the internal audit function;
- 10.4.7 meet the head of internal audit at least once a year, without the executive management being present, to discuss the remit of the internal audit function and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the Board and to the Committee; and
- 10.4.8 review with management and the independent auditors of the Company the adequacy and effectiveness of the internal control of the Company over financial reporting and disclosure controls and procedures.

10.5 External Audit

The Committee shall:

- 10.5.1 be directly responsible for the appointment, compensation, retention and oversight of the work of the external auditors (including resolution of disagreements between management and the external auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and to remove the external auditors if circumstances warrant such removal. Each such external auditor must report directly to the Committee. In addition, if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;

- 10.5.2 oversee the relationship with the external auditors, including (but not limited to):
- 10.5.2.1 pre-approve their remuneration, whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted, and establish policies and procedures for the Committee's pre-approval of permitted services by the external auditors of the Company or other registered public accounting firms on an on-going basis;
 - 10.5.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 10.5.2.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the external auditors as a whole, including the provision of any non-audit services;
 - 10.5.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditors and the Company (other than in the ordinary course of business);
 - 10.5.2.5 agreeing with the Board a policy on the employment of former employees of the external auditors, then monitoring the implementation of this policy, and to examine whether as a result of such hiring there has been any impairment of the judgment or independence of the external auditors for the audit;
 - 10.5.2.6 monitoring the compliance of external auditors with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company; and
 - 10.5.2.7 assessing annually the qualifications, expertise and resources of the external auditors and the effectiveness of the audit process, which shall include a report from the external auditors on their own internal quality procedures;
- 10.5.3 meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditors at least once a year, without the executive management being present, to discuss their remit and any issues arising from the audit;
- 10.5.4 review and approve the annual external audit plan and ensure that it is consistent with the scope of the audit engagement;

10.5.5 review the findings of the audit with the external auditors and management. This shall include, but not be limited to, the following:

10.5.5.1 a discussion of any major issues which arose during the audit;

10.5.5.2 any accounting and audit judgements; and

10.5.5.3 levels of errors identified during the audit.

The Committee shall also review the effectiveness of the audit;

10.5.6 review the executive management letter and response from executive management to the findings and recommendations of the external auditors and ensure that the Board will provide a timely response to the issues raised in the executive management letter;

10.5.7 develop and implement a policy on the supply of non-audit services by the external auditors, taking into account any relevant ethical guidance on the matter; and

10.5.8 at least annually, to obtain and review a report by the external auditors of the Company that describes (1) the internal quality control procedures of the external auditors, (2) any material issues raised by the most recent internal quality control review, peer review or inspection of the firm or by any other inquiry or investigation by governmental or professional authorities in the past five years regarding one or more audits carried out by the firm and any steps taken to deal with any such issues, and (3) all relationships between the firm and the Company or any of its subsidiaries; and to discuss with the external auditors this report and any relationships or services that may impact the objectivity and independence of the auditors.

10.6 Corporate Governance Functions Delegated by the Board

The Committee shall:

10.6.1 develop and review the Company's policies and practices on corporate governance, including policies and practices on bribery and corruption and whistleblowing, ensure their relevance and effectiveness, and make recommendations to the Board;

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

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

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

10.6.5 review the Company's compliance with the Corporate Governance Code (Appendix 14 to the Listing Rules) and the disclosure in the Corporate Governance Report.

10.7 Other Matters

The Committee shall:

10.7.1 have access to sufficient resources in order to carry out its duties;

10.7.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

10.7.3 give due consideration to laws and regulations, and the provisions of the UK Corporate Governance Code and the Hong Kong Listing Rules (including the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules), as appropriate;

10.7.4 be responsible for co-ordination of the internal and external auditors; and

10.7.5 oversee any investigation of activities which are within its terms of reference and act as a court of last resort.

11. Reporting Responsibilities

11.1 The chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

11.3 If requested by the Board, the Committee shall produce an annual report to shareholders on its activities, which will form part of the annual report and accounts of the Company.

12. Self-appraisal

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness, and recommend any changes it considers necessary to the Board for approval.

13. Authority

The Committee is authorised by the Board:

- 13.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 13.2 to obtain, at the expense of the Company, external legal or other professional advice on any matters within its terms of reference; and
- 13.3 to call any employee to be questioned at a meeting of the Committee as and when required.

14. Publication of the Terms of Reference

The terms of reference are posted on the websites of the Company and other stock exchange websites as required. A copy of the terms of reference will be made available to any person without charge upon request.