

JOINN Laboratories (China) Co., Ltd.
Terms of Reference of the Audit Committee of the Board of Directors

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to enhance the governance of JOINN Laboratories (China) Co., Ltd. (the “Company”) and standardize the operation of the Audit Committee under the Board of Directors of the Company, these Rules are formulated in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules” and “The Stock Exchange of Hong Kong Limited” is referred to as the “Hong Kong Stock Exchange”), the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules (the “Corporate Governance Code”), the Basic Norms for Enterprise Internal Control, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (the “SSE Listing Rules”), the Guidelines of the Shanghai Stock Exchange for the Operation of the Audit Committee of the Board of Listed Companies, A Guide for Effective Audit Committees issued by the Hong Kong Institute of Certified Public Accountants, the Articles of Association of JOINN Laboratories (China) Co., Ltd. (the “Articles of Association”) and the provisions of laws, regulations and regulatory documents.

Article 2 The Audit Committee is a special committee under the Board of Directors and shall be accountable and report to the Board of Directors. The internal audit department of the Company shall be accountable and report to the Audit Committee.

Article 3 Members of the Audit Committee shall ensure sufficient time and effort to perform the duties of the committee, diligently and effectively supervise the external audit of the Company, and guide the internal audit of the Company, to procure the Company to establish effective internal control and provide truthful, accurate and complete financial reports.

Article 4 The Company shall provide proper resources for the operation of the Audit Committee and assign special personnel or office to handle daily operation including liaison, organization of meetings, preparation of materials and documentation for the Audit Committee. The management and relevant departments of the Company shall provide support when the Audit Committee performs its duties.

CHAPTER 2 COMPOSITION OF THE AUDIT COMMITTEE

Article 5 The Audit Committee shall comprise three or more non-executive directors who are appointed by the Board of Directors from members of the Board of Directors.

Article 6 Members of the Audit Committee shall manage affairs independent of the Company’s daily operations in principle. Members who are independent directors shall account for more than one half of all members of the Audit Committee and at least one independent director member shall be an accounting professional in compliance with relevant requirements of Rule 3.10(2) of the Hong Kong Listing Rules and the Shanghai Stock Exchange.

Article 7 All members of the Audit Committee shall have the expertise and business

experience competent for performing the duties of the Audit Committee.

Article 8 Members of the Audit Committee shall be nominated by the chairperson, more than half of the independent directors or one third of all the directors, and shall be elected by the Board of Directors. A former partner of the existing external auditors responsible for auditing the accounts of the Company shall be prohibited from acting as a member of the Audit Committee for a period of two years from the date of his/her ceasing (whichever is later):

- (I) to be a partner of external auditors; or
- (II) to have any financial interest in external auditors.

Article 9 The Audit Committee shall have one chairperson (convener), who shall be an independent director. The chairperson shall be responsible for taking charge of the work of the committee. The chairperson shall be elected from members of the committee and reported to the Board of Directors for approval. The chairperson shall have professional experience in accounting or financial management.

Article 10 The term of office of the Audit Committee shall be consistent with that of the Board of Directors. A member of the Audit Committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. During the period, any member of the committee who no longer holds office as a director of the Company shall automatically cease to be a member of the committee and the vacancy shall be filled by the committee in accordance with the provisions under the aforesaid Articles 7 to 9.

Article 11 Members of the Audit Committee shall participate in relevant training courses to obtain professional knowledge for performing their duties in a timely manner in areas including law, accounting and regulation of listed companies.

Article 12 The Board of Directors of the Company shall conduct regular assessment on the independence and performance of the members of the Audit Committee, and may replace those who are no longer qualified to hold their positions when necessary.

CHAPTER 3 DUTIES OF THE AUDIT COMMITTEE

Article 13 The duties of the Audit Committee shall include:

- (I) to supervise and evaluate the work of external auditors;
- (II) to guide the internal audit work;
- (III) to review and issue opinions on the financial reports of the Company;
- (IV) to evaluate the effectiveness of internal control;
- (V) to facilitate communications between the management, the internal audit department and relevant departments of the Company and external auditors; and
- (VI) other matters authorized by the Board of Directors and other matters prescribed in relevant laws and regulations.

Article 14 The duties of the Audit Committee on supervising and evaluating the work of

external auditors shall include:

- (I) to review, evaluate and monitor external auditors' independence and objectivity, professionalism and the effectiveness of the audit process in accordance with applicable standards, particularly the influence of non-audit services provided by external auditors on its independence;
- (II) to be primarily responsible for making recommendations to the Board of Directors on the appointment, re-appointment and removal of external auditors;
- (III) to review and approve the audit fees and appointment terms to external auditors;
- (IV) to discuss and communicate with external auditors about the nature and scope of audit, the audit plans on reporting responsibilities, the audit method and major issues identified in the audit;
- (V) to monitor and evaluate diligence and conscientiousness of external auditors;
- (VI) to deal with any issues related to the resignation or dismissal of external auditors;
- (VII) to develop and implement policies on the provision of non-audit services by external auditors. For the purpose of this clause, the "external auditors" shall include any entity that is under common control, ownership or management with the audit firm or any entity that a third party having reasonable knowledge of all relevant information would reasonably conclude as part of the local or international business of the audit firm. The Audit Committee shall report and propose to the Board of Directors any matters where action or improvement is needed; and
- (VIII) to act as the key representative of the Company and external auditors and monitor their relationship.

The Audit Committee shall meet with external auditors for separate communication at least once a year without the attendance of the management. The secretary to the Board of Directors may attend the meeting.

Article 15 The duties of the Audit Committee on guiding the internal audit work shall include:

- (I) to review the annual internal audit plan of the Company;
- (II) to supervise the implementation of the internal audit plan of the Company;
- (III) to review the internal audit reports, evaluate the results of internal audit, and supervise the rectification of major issues; and
- (IV) to guide the effective operation of the internal audit department.

The Company's internal audit department shall report to the Audit Committee. Any audit reports, plans for rectification of audit issues and rectification progress shall be forwarded to the Audit Committee while being submitted to the management.

Article 16 The Audit Committee monitors the integrity of the Company's financial

statements, annual reports and accounts, half-year reports and quarterly reports (if proposed to issue), and reviews significant opinions on financial reporting contained in them. Before the submission of relevant statements and reports to the Board of Directors by the Audit Committee, it shall focus particularly on:

- (I) any changes in accounting policies and practices;
- (II) major judgments involved;
- (III) significant adjustments resulting from audit;
- (IV) the going concern assumptions and any qualifications;
- (V) compliance with accounting standards; and
- (VI) compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting;

In regard to the above:

- (I) Members of the Audit Committee should liaise with the Board of Directors and senior management. The committee must meet, at least twice a year, with external auditors of the Company; and
- (II) The Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and it should give due consideration to any matters that have been raised by the staff responsible for accounting and financial reporting function, compliance officer or external auditors of the Company.

Article 17 The duties of the Audit Committee on overseeing the effectiveness of the Company's financial reporting system, risk management and internal control systems shall include:

- (I) to review the Company's financial controls, and unless expressly addressed by a separate risk committee of the Board of Directors, or by the Board of Directors itself, to review the Company's risk management and internal control systems;
- (II) to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to set up effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;
- (III) to consider major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board of Directors and the management's response to such findings;
- (IV) to review the Group's financial and accounting policies and practices;
- (V) to review the Letter of Explanation on Audit issued by external auditors to the

management, any significant issues raised by external auditors to the management in relation to the accounting records, financial accounts or control systems and the management's response;

- (VI) to ensure that the Board of Directors will provide a timely response to the issues raised in the Letter of Explanation on Audit issued by external auditors to the management;
- (VII) to report to the Board of Directors on the matters in the provisions of the Corporate Governance Code;
- (VIII) to review the following arrangements of the Company: the employees of the Company can, in confidence, raise concerns about possible irregularities in financial reporting, internal control or other matters; to ensure that proper arrangements are in place for the Company to conduct fair and independent investigations and to take appropriate actions accordingly; and
- (IX) to establish a whistle-blowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matters related to the Company.

Article 18 The duties of the Audit Committee on facilitating communications between the management, the internal audit department and relevant departments of the Company and external auditors shall include:

- (I) to ensure coordination between internal and external auditors, and also ensure the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor the effectiveness of the internal audit function;
- (II) to facilitate the communication of the management with external auditors on major audit issues;
- (III) to facilitate the communication between the internal audit department and external auditors and coordinate with the external audit work.

Article 19 The Audit Committee shall report to the Board of Directors on any matters where action or improvement it deems necessary and make corresponding recommendations and research other topics defined by the Board of Directors.

Article 20 The Audit Committee may engage an intermediary institution to provide professional advice when it deems necessary. The cost shall be borne by the Company.

Article 21 In the event of appointment or change of external auditors by the Company, relevant proposal shall not be considered by the Board of Directors until deliberations and recommendations of the Audit Committee are presented to the Board of Directors.

CHAPTER 4 MEETINGS OF THE AUDIT COMMITTEE

Article 22 Meetings of the Audit Committee shall comprise regular meetings and extraordinary meetings. The convener shall give a notice of the meeting to all members three days prior to that meeting. Meetings shall be convened and presided over by the chairperson of the Audit Committee. In the event that the chairperson of the Audit Committee is unable or refuses to perform his/her duties, a member who is an independent director shall be appointed to perform such duties on his/her behalf.

Article 23 The Audit Committee shall convene four regular meetings at least each year.

The Audit Committee may convene extraordinary meetings when necessary. When two or more members of the Audit Committee propose, or when the convener of the Audit Committee considers necessary, an extraordinary meeting can be held.

Article 24 A meeting of the Audit Committee shall not be held unless two thirds or more of the members are present.

Article 25 Opinions proposed by the Audit Committee to the Board of Directors shall be passed by more than half of all members. In the event that no effective review opinion is concluded due to the abstention from voting of any member of the Audit Committee, the underlying matter shall be directly considered by the Board of Directors.

Article 26 Members of the Audit Committee shall attend the meetings in person and express explicit opinions on the matters to be considered. A member unable to be present in person for any reason may appoint another member of the committee by the power of attorney as duly signed to attend the meeting and express opinions on his/her behalf. The power of attorney shall specify the scope and validity period of authorizations. Each member shall only be entrusted by one member. Where a member unable to be present in person for any reason is an independent director, his/her attending proxy shall also be an independent director.

Article 27 Members shall vote by a show of hands or by poll at the meeting of the Audit Committee. Extraordinary meetings may be held by correspondence.

Article 28 The Audit Committee may invite representatives of external auditors, supervisors, internal audit staff, financial personnel, legal advisers as well as other relevant persons to be present at its meeting and provide necessary information as it deems necessary. Persons attending the meeting shall have no voting right.

Article 29 The Audit Committee shall keep minutes of its meetings. Minutes of meetings shall record in sufficient details the matters considered at the meetings and the decisions reached, including any concerns raised by members or dissenting views expressed. Members and other persons present at a meeting of the committee shall sign the minutes of the meeting which shall be properly kept by the person or office responsible for the daily work. Any member who has opinions on or objects to the minutes shall not be required to sign, but shall submit a written opinion to the secretary to the Board of Directors within the aforementioned period. If errors or omissions occur to the minutes, the secretary to the Board of Directors shall revise and the members shall sign after such revision.

Article 30 Opinions approved at the meetings of the Audit Committee shall be reported to the Board of Directors in written form.

Article 31 All members attending the meeting and other attendees shall be obliged to keep

confidential the matters considered at the meeting and shall not disclose relevant information without authorization.

Article 32 Where any member of the Audit Committee has a stake in any matter to be discussed at the meeting, such member shall abstain from voting.

Article 33 The convening procedures and voting method of the meetings of the Audit Committee as well as the proposals approved thereat shall comply with relevant laws, regulations, the listing rules of the stock exchange in the place where the Company's shares are listed, the Articles of Association and the Guidelines.

CHAPTER 5 INFORMATION DISCLOSURE

Article 34 The Company shall disclose information on members of the Audit Committee, including their composition, professional background and working experience in the last five years and changes of members of the Audit Committee.

Article 35 The Company shall disclose the annual performance of the Audit Committee mainly including its performance of duties and meetings of the Audit Committee on the website of the Shanghai Stock Exchange while disclosing its annual report and disclose the performance of duties in the annual report uploaded on the website of the Hong Kong Stock Exchange.

Article 36 Where any material issue identified by the Audit Committee in the course of performing its duties falls within information disclosure standards under the SSE Listing Rules, the Company shall disclose such issue and its rectification in a timely manner.

Article 37 Where any opinion on a matter within its terms of reference presented by the Audit Committee is not adopted by the Board of Directors, the Company shall make information disclosure on such matter and give full description on the reasons therefor.

Article 38 The Company shall disclose the special opinions issued by the Audit Committee on major events of the Company in accordance with the laws, administrative regulations, departmental rules, the SSE Listing Rules, the Hong Kong Listing Rules and relevant normative documents.

CHAPTER 6 WORKING PROCEDURES OF ANNUAL REPORTS

Article 39 In the process of preparing, reviewing and disclosing the Company's annual reports, members of the Audit Committee shall earnestly perform their duties and responsibilities, and be diligent and responsible.

Article 40 After the end of each accounting year, the person in charge of the Company's finance shall submit a draft timetable for the audit of annual financial reports according to the actual situation of the Company, and submit it to the Audit Committee and the auditor (the "CPA for Annual Audit" or "Auditor") that provides audit for the Company's annual financial reports.

Article 41 Members of the Audit Committee shall contact the Board of Directors and senior

management of the Company, and the committee shall hold meetings with the Company's CPA for Annual Audit (Auditor) at least once each year. The Audit Committee shall communicate and coordinate with the CPA for Annual Audit on the annual report work, and determine the overall arrangement of the annual financial report through negotiation.

Article 42 The Audit Committee shall decide the schedule of auditing annual financial reports through communication with the accounting firm. The Audit Committee under the Board of Directors shall have the right to know the progress of the accounting firm's auditing work and any problem discovered during the audit, and instruct the accounting firm to submit audit reports within the period agreed. The Audit Committee under the Board of Directors shall record the method, times and results of the instructions in written form which shall be confirmed with the signature of the relevant persons in charge.

Article 43 The Audit Committee shall review the financial accounting statements prepared by the Company and put down its opinions in written form before entrance of the CPA for Annual Audit, strengthen the communication with the CPA for Annual Audit after their entrance, and review the financial accounting statements of the Company after the CPA for Annual Audit give their preliminary audit opinions and put down its opinions in written form. The Audit Committee shall consider any material or uncommon matters reflected or need to be reflected from such reports and accounting reports, and shall duly consider any matters raised by the accountants and financial reporting staff, supervision officer or the Auditor of the Company.

Article 44 The Audit Committee shall vote for the annual financial accounting statements and submit such statements to the Board of Directors after the resolutions are made. In the meanwhile, the Audit Committee shall submit the final report on the Company's audit work engaged by the accounting firm for the current year and the resolution regarding renewing the engagement of, or replacing, the accounting firm for the next year to the Board of Directors. The aforementioned documents formulated by the Audit Committee shall be disclosed in the annual reports.

Article 45 The Company shall not change the CPA for Annual Audit during the audit of annual reports in principle. Where the change is necessary, the Audit Committee under the Board of Directors shall meet the previous accounting firm and the accounting firm to be engaged, and make reasonable appraisals of their practicing quality, and express its opinion on the sufficiency of reason for the change of accounting firm. Such opinion shall be passed by Board resolutions, and subsequently a resolution shall be passed at the general meeting. The accounting firm to be engaged shall be notified to attend and express its opinions at the general meeting. The Company shall fully disclose the resolution of the general meeting and the statements from the accounting firm to be engaged.

When the Audit Committee under the Board of Directors renews the engagement of the CPA for Annual Audit for the subsequent year, it shall make comprehensive and objective appraisals about the audit work completed by the CPA for Annual Audit for annual audit and its practicing quality, and submit an affirmative opinion to the Board of Directors for approval and hold a general meeting; where a dissenting opinion is formulated, a new accounting firm shall be engaged.

When the Audit Committee under the Board of Directors changes the CPA for Annual Audit for the subsequent year, it shall fully understand and properly evaluate both the previous and the proposed accounting firms by face-to-face communication, submit its opinion to the Board of Directors and hold a general meeting for approval of such opinion.

The aforementioned information about communications, appraisals and suggestions shall be

recorded in written form and signed by the parties concerned, and be reported to the securities regulatory bureau where the Company is registered within three working days after the disclosure of the resolutions from the general meeting.

Article 46 The finance department of the Company is responsible for coordinating the communications between the Audit Committee under the Board of Directors and the CPA for Annual Audit and creating the conditions for the Audit Committee under the Board of Directors to perform duties involved in preparing the annual reports.

Article 47 The aforementioned documents formulated by the Audit Committee shall be disclosed in the annual reports.

CHAPTER 7 SUPPLEMENTARY PROVISIONS

Article 48 For matters not covered in these Rules, they shall be implemented subject to the provisions of the relevant laws and regulations of the state, relevant rules of the CSRC, the SSE Listing Rules, the Hong Kong Listing Rules and the Articles of Association. In the event that these Rules contravene the relevant laws and regulations, relevant rules of the CSRC, the SSE Listing Rules, the Hong Kong Listing Rules and the Articles of Association, it shall be implemented subject to the provisions of the relevant laws and regulations, relevant rules of the CSRC, the SSE Listing Rules, the Hong Kong Listing Rules and the Articles of Association.

Article 49 The Board of Directors shall be responsible for the formulation, interpretation and modification of these Rules.

Article 50 These Rules shall come into effect on the date when the resolution of the Board of Directors is approved and the date of listing of the overseas listed foreign shares under the public issuance by the Company on the Hong Kong Stock Exchange. Since the effective date hereof, the original Terms of Reference for the Audit Committee under the Board of Directors shall automatically become invalid and void.

**JOINN Laboratories (China) Co., Ltd.
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