

**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 C1 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 Self-Regulatory Guidelines for Listed Companies of Shanghai Stock Exchange No. 1 – Standardized Operation (the “Self-Regulatory Guidelines”), 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 should be non-executive directors who do not hold senior management positions in the Company. 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 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 in congruence 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, but shall be no more than six years. During the period, any member of the committee who no longer maintains the position as a director of the Company, he/she shall automatically disqualify as a member, 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 Audit Committee exercises the duties and rights of the supervisory committee stipulated under the Company Law.

The Audit Committee of the Board of Directors is responsible for reviewing the company's financial information and its disclosure, overseeing and evaluating both internal and external audit work, and internal controls. The following matters shall be submitted for the Board of Directors' consideration after obtaining the approval of a majority of the members of the Audit Committee:

- (I) Disclosure of financial information in financial accounting reports and periodic reports, and internal control evaluation reports;

- (II) Appointment or dismissal of accounting firms responsible for undertaking audit services for the listed company;
- (III) Appointment or dismissal of the financial head of the listed company;
- (IV) Amendment of significant accounting error or change in accounting policy or accounting estimate for reasons other than a change in accounting standards;
- (V) to facilitate communications between the management, the internal audit department and relevant departments of the Company and external auditors;
- (VI) significant sustainability matters:

The Board of Directors has the authority to review, monitor, evaluate, manage and approve the following significant sustainability matters. Such responsibilities and authorities shall include:

1. to review and assess the adequacy and effectiveness of the Company's structure related to sustainability matters, including: business philosophy (corporate mission, corporate vision, corporate spirit, business/management philosophy, core values), corporate goals, actions, and outlook.
2. to oversee the formulation of the Company's sustainability vision, strategy and policy: to evaluate relevant matters that have a significant impact on the Company's operations and/or the interests of other key stakeholders; to provide guidance on the Company's sustainability vision, goals and strategies, and approve relevant sustainability initiatives; to monitor and review emerging trends and issues in sustainability, provide guidance on the development of the Company's sustainability vision based on relevant circumstances, and provide guidance on current and emerging issues affecting the Company's sustainability; to adopt and approve updated policies on the Company's production safety, environmental protection, social responsibility management and corporate governance when necessary; to review the Company's policies on human rights, business ethics and integrity, diversity and inclusion; to incorporate sustainability issues into policies on business models, including analysis of relevant key performance indicators; the Company's initiatives and related reports to address issues arising from climate change; to guide the development of sustainability and sustainability reporting methods, objectives and follow-up processes; to review and monitor the Company's policies and practices on sustainability to ensure compliance with legal and regulatory requirements.

3. to monitor the implementation of sustainability vision, strategies and policies: to oversee the implementation of the Company's sustainability initiatives and set targets to measure the effectiveness of such initiatives; to monitor the performance of the Company's sustainability goals and recommend measures to improve performance as needed; to develop and review the Company's sustainability vision, strategies, frameworks, principles and policies; to review and adopt risk assessments in relation to the Company's impact on health, safety, environment and society; to ensure that the Company includes in its annual report the environmental, social and governance report (as set out in Appendix C2 to the Listing Rules of the Hong Kong Stock Exchange) prepared by the Board of Directors in accordance with the disclosure requirements of the Listing Rules and the Corporate Governance Code (as set out in Appendix C1 to the Listing Rules of the Hong Kong Stock Exchange).
4. to review and approve disclosures in relation to the Company's sustainability framework, targets and related performance as set out in its annual reporting document;

(VII) other matters as stipulated by laws, administrative regulations, regulations of the

(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 Audit Committee of the Board of Directors shall oversee and evaluate the internal audit work and fulfill the following responsibilities:

- (I) to provide guidance and supervision in establishing and implementing the internal audit system;
- (II) to supervise the implementation of the internal audit plan of the Company;
- (III) to ensure the implementation of the company's internal audit plan;
- (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;
- (V) to report to the Board of Directors on the progress, quality, and significant issues discovered in the internal audit work;
- (VI) to coordinate the relationship between the internal audit department and external audit units such as accounting firms and national audit institutions.

**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;

- (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 one meeting at least each quarter.

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

## CHAPTER 5 WORKING PROCEDURES OF ANNUAL REPORTS

**Article 34** 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 35** 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 36** 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 37** 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 38** 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 39** 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 40** 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. Additionally, according to the applicable listing rules Shanghai Stock Exchange, it is required to report to the securities exchange of the listing jurisdiction within two working days after the disclosure of resolutions made at the shareholders' meeting.

**Article 41** 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 42** The aforementioned documents formulated by the Audit Committee shall be disclosed in the annual reports.

## **CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Article 43** 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, the Self-Regulatory Guidelines, 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 Self Regulatory Guidelines, the SSE Listing Rules, the Hong Kong Listing Rules and the Articles of Association.

**Article 44** For the purposes of these Terms of Reference, the terms “above” and “within” shall include the figure itself; the terms “over”, “other than”, “below” and “more than” shall exclude the figure itself.

**Article 45** The Board of Directors shall be responsible for the formulation, interpretation and modification of these Rules.

**Article 46** These Rules shall come into effect on the date when the resolution of the Board of Directors is approved.

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