



Chaoju Eye Care Holdings Limited
朝聚眼科醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2219)

**Terms of Reference of the Audit Committee of the Board
of Chaoju Eye Care Holdings Limited**

Chapter I General Rules

Article 1 In order to perfect the decision-making procedures of the Board of Directors (the “**Board**”) of Chaoju Eye Care Holdings Limited (the “**Company**”), fully safeguard the legitimate interests of the Company and its shareholders and improve the corporate governance structure of the Company, the Board has established an audit committee (the “**Audit Committee**”) and promulgated these terms of reference in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and the articles of association of Chaoju Eye Care Holdings Limited (the “**Articles of Association**”) and other relevant regulations.

Article 2 The Audit Committee is a specialized working body set up by the Board pursuant to the Articles of Association, which is mainly responsible for the review and supervision related to the audit and risk management of the Company.

Article 3 In these terms of reference, the directors refer to all the directors of the Company, and the senior management refers to the Company’s general manager, deputy general manager, financial officers, the company secretary and other senior management recognized by the Board.

Chapter II Composition of the Audit Committee

Article 4 The Audit Committee shall be composed of at least three directors, and each of them shall be a non-executive director. The majority of the non-executive directors shall be independent non-executive directors, and at least one of the independent non-executive directors shall possess appropriate professional qualifications or appropriate accounting or related financial management expertise as provided under the Hong Kong Listing Rules. Members of the committee shall be subject to consideration and approval by the Board.

Article 5 The Audit Committee shall have one chairman, who shall be an independent non-executive director and in charge of the work of the Audit Committee. He/she shall be nominated by the chairman of the Board of the Company and considered and approved by the Board. The main duties and powers of the chairman are as follows:

- (i) convening and presiding over meetings of the Audit Committee;
- (ii) determining the agenda of each meeting of the Audit Committee;
- (iii) signing important documents of the Audit Committee;

- (iv) ensuring the Audit Committee reaches clear and definite conclusions on each proposal, including the decision to pass, reject or reconsider a proposal after additional materials are supplemented;
- (v) reporting to the Board on relevant matters lied within the scope of the Audit Committee's duties;
- (vi) other duties and powers specified in these terms of reference or other relevant laws and regulations.

Article 6 All members of the Audit Committee shall possess the professional knowledge and business experience essential for the fulfillment of the duties of the Audit Committee. The Company shall arrange relevant training for the members of the Audit Committee to participate in so that they could obtain necessary professional knowledge in the fields of law, accounting and regulatory standards for listed companies in a timely manner to discharge of their duties.

Article 7 The terms of office of the members of the Audit Committee shall be in line with the terms of office of the directors. A member may serve consecutive terms if re-elected upon expiry of his/her term.

No committee members shall, before the expiration of his/her term of office, be removed from office without cause except for the circumstances in which dismissal is required as stipulated in the laws and regulations, the Hong Kong Listing Rules, the Articles of Association, or these terms of reference.

If a committee member ceases to be a director of the Company or otherwise is unable to fulfill his/her duty as a director before the expiry of his/her term of office, or if any member who shall be an independent non-executive director no longer possesses such independence as required by relevant laws and regulations, the Hong Kong Listing Rules or the Articles of Association, such member shall be disqualified as a member automatically and the Board shall appoint a new member to fill the vacancy pursuant to Article 4 of these terms of reference. Adjustments may be made to the members of the Audit Committee during their terms of office upon being proposed by the chairman of the Board and approved by the Board upon discussion.

Article 8 A member of the Audit Committee may concurrently hold positions in other specialised committees of the Board on the premise of being capable to fulfill their respective responsibilities.

Article 9 A former partner of an accounting firm which currently serves as the Company's auditor shall not serve as a member of the Audit Committee of the Company within two years commencing from the following dates (whichever is later):

- (i) the date when he/she ceases to be a partner of that accounting firm;
- (ii) the date when he/she ceases to have any financial interest in that accounting firm.

Chapter III Duties and Powers

Article 10 The duties and powers of the Audit Committee are as follows:

- (i) advising the Board on the appointment, renewal, replacement or dismissal of the external audit agency; approving and reviewing audit fees and appointment terms of the external audit agency; dealing with any issues related to resignation or dismissal of the external audit agency, supervising the work of the external audit agency and reviewing reports of the external audit agency. When the Company engages or replaces its external audit agency, the Audit Committee shall form an opinion on relevant matters and propose a resolution to the Board for further consideration;
- (ii) reviewing and supervising the independence and objectivity of the external audit agency and the effectiveness of the audit procedures in accordance with applicable standards, and holding discussions with the external audit agency in advance on issues related to the nature and scope of the audit and reporting responsibilities with the external audit agency before the auditing work commences;
- (iii) formulating and implementing policies of non-audit services provided by the external audit agency (if any). For the purpose of this Article, an external audit agency includes any entity under the common control, ownership or management with such audit firm, or any third party who has a reasonable knowledge of all relevant information, which would, therefore, be reasonably concluded to be a part of such audit agency's domestic or international business. The Audit Committee shall report to the Board and make recommendations on any action or improvement it deems necessary;
- (iv) serving as the main representative between the Company and the external audit agency to monitor their relationship;
- (v) reviewing and monitoring the completeness of the Company's financial statements, annual reports and accounts, interim reports and quarterly reports (if prepared for publication), and reviewing significant financial reporting opinions contained in the financial statements and financial reports. In reviewing such statements and reports before submission to the Board, the Audit Committee shall focus particularly on:
 - 1. any change in the accounting policies and practices;
 - 2. matters involving major judgments;
 - 3. significant adjustments arising out of auditing results;
 - 4. assumptions on the continued operation of the Company and any qualification;
 - 5. compliance with accounting standards;
 - 6. compliance with laws and requirements of the Hong Kong Listing Rules in relation to financial reporting.

- (vi) In order to carry out the responsibilities set out in term (v) of this Article:
1. members of the Audit Committee shall liaise with the Board, senior management of the Company and the external audit agency engaged by the Company. The Audit Committee shall meet with the Company's external audit agency at least twice a year;
 2. the Audit Committee shall consider any significant or unusual items which are, or may need to be, reflected in the financial reports and accounts, and shall give due consideration to any matters that have been raised by the Company's financial personnel, internal auditor, supervisors, or the external audit agency engaged by the Company;
- (vii) reviewing the Company's financial control system, and risk management and internal control systems;
- (viii) having discussions on the risk management and internal control systems with the management to ensure that the management has performed their duty to establish effective systems; these discussions shall cover topics including the adequacy of the Company's resources and the qualifications and experiences of staff in accounting and financial reporting, and the sufficiency of the Company's training programs and related budget;
- (ix) reviewing and reflecting major investigation findings on risk management and internal control matters on its initiative or as delegated by the Board and management's response to these findings;
- (x) ensuring coordination between the internal audit department and the external audit agency and that the internal audit department is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring the effectiveness of the operation of the internal audit department;
- (xi) reviewing the Company's financial and accounting policies and practices;
- (xii) reviewing the Explanatory Letter on Audit submitted by the external audit agency to the management, any material questions raised by the external audit agency to the management in relation to accounting records, financial accounts or internal control system and the management's responses on these material questions;
- (xiii) ensuring the Board to promptly reply to any issues raised in relation to the Explanatory Letter from the external audit agency to the management;
- (xiv) ensuring proper channels have been established by the Company for proceed employees to report or raise concerns on potential improprieties in financial reporting, internal controls or other matters in a confidential manner, and reviewing relevant arrangements from time to time to ensure fair and independent investigations and appropriate actions have been taken by the Company to address these matters;

- (xv) formulating and reviewing on a regular basis a whistleblowing policy and system for employees and other persons who deal with the Company (such as customers and suppliers) to raise any of their concerns, in confidence and anonymity, with the Audit Committee in relation to possible improprieties in any matter of the Company;
- (xvi) reporting to the Board on relevant matters within the scope of the Audit Committee's duties and the decisions or recommendations made by the Audit Committee, except where such reporting is restricted by laws or regulations;
- (xvii) reviewing the Company's compliance with the Corporate Governance Code under the Hong Kong Listing Rules and disclosures in the Corporate Governance Report;
- (xviii) other duties and powers authorized by the Board of the Company;
- (xix) other relevant requirements for duties and powers of the Audit Committee under the laws, regulations, the Hong Kong Listing Rules and the Articles of Association, as amended from time to time.

Article 11 The Audit Committee shall make available its terms of reference on The Stock Exchange of Hong Kong Limited's website and the Company's website, explaining its role and its authority which the Board has delegated.

Article 12 The Audit Committee shall be provided with sufficient resources to perform its duties. The senior management of the Company shall provide support to the Audit Committee, if necessary, the Audit Committee may engage intermediaries to provide independent and professional opinions on its decisions, and the reasonable expenses incurred shall be borne by the Company.

Article 13 The Audit Committee shall review and supervise the independence of the external audit agency in accordance with the following procedures:

- (i) considering all business relationships (including non-auditing services) between the Company and the audit agency;
- (ii) obtaining data of the audit agency annually to understand the policies and procedures which the audit agency has adopted to maintain its independence and to supervise compliance with relevant requirements, including the policies governing the replacement of partners and staff of the audit agency;
- (iii) meeting with the external audit firm at least twice a year, without the attendance of the management personnel, to discuss matters in relation to audit fees, any issues arising from the audit and other matters raised by the audit agency.

Article 14 The Audit Committee shall be accountable to and shall report to the Board. Unless otherwise authorized by the Board, the Audit Committee shall submit its recommendations to the Board for the Board's approval.

Article 15 The Audit Committee shall not be responsible for the planning and the implementation of audit activities and shall not be held responsible for ensuring the completeness and accuracy of the Company's financial reports or the preparation of the financial reports in performing the duties stipulated in Article 11 of these terms of reference. The Board and the management of the Company shall be responsible for the preparation of the financial reports, and the accounting firm shall be responsible for the auditing of the financial reports.

Article 16 At the invitation of the chairman of the Board, the chairman of the Audit Committee, or in his/her absence, another member or his/her authorized representative, shall attend and answer questions at the Company's annual general meetings.

Chapter IV Rules of Procedures

Article 17 The meetings of the Audit Committee are classified into regular meetings and extraordinary meetings. The Audit Committee shall hold at least one regular meeting in the first half of the year and one regular meeting in the second half of the year.

Article 18 The Audit Committee shall hold an extraordinary meeting upon proposal by the chairman of the Audit Committee, two or more members of the Audit Committee, the Board, or the chairman of the Board.

Article 19 The meetings of the Audit Committee shall be convened by giving three days' prior notice to all members of the Audit Committee by the department of securities affairs. In case of any emergency for which a meeting needs to be convened by the committee as soon as possible, the notice of the meeting may be given by telephone, facsimile or email on that day, provided that the chairman of the Audit Committee makes an explanatory statement at the meeting.

Article 20 The meetings of the Audit Committee shall be presided over by the chairman of the Audit Committee, or, if the chairman fails to attend, a committee member (being an independent non-executive director) may be appointed as a proxy to preside on his/her behalf.

Article 21 The meetings of the Audit Committee shall be attended by at least two-thirds of the members. Members of the Audit Committee shall attend the meeting in person or by conference call or via similar communication devices. If a member is unable to attend the meeting for any reason, he/she may delegate another member in writing to attend the meeting on his/her behalf. The power of attorney shall set forth the scope of authorization.

Article 22 The Audit Committee may invite relevant personnel of the Company to sit in a meeting if necessary.

Article 23 Vote at the meetings shall be made by poll or by show of hands. Each member shall have one vote. Resolutions of the meetings shall be passed by a majority of the committee members.

Article 24 The meetings of the Audit Committee may be convened by written means. The written resolutions shall be dispatched to all committee members by facsimile, courier or by hand, and returned in original copies to the Company for archiving after voting by the members. A proposal signed by such number of members required hereunder shall become an effective resolution of the Audit Committee.

Article 25 The convening procedures and voting methods of and resolutions passed at the Audit Committee meetings shall comply with the provisions under relevant laws and regulations, the Articles of Association, and these terms of reference.

Article 26 Resolutions passed at the Audit Committee meetings, together with their voting results, shall be submitted to the Board of the Company in writing.

Article 27 All participants attending the meetings of the Audit Committee shall be obliged to keep matters discussed at the meeting confidential and shall not disclose relevant information without the authorization of the chairman of the Board or the Board.

Article 28 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external accounting firm, the Company shall include in its Corporate Governance Report a statement from the Audit Committee explaining its recommendations as well as the reasons for the Board for sharing different opinions.

Article 29 The supporting and liaison department of the Audit Committee shall formulate full meeting minutes, which shall be signed by all committee members who are present. The supporting and liaison department shall then submit the meeting minutes to the department of securities affairs of the Company for filing in accordance with the Company's file management policy, and shall be available for the inspection by the Directors at any time. Draft and final versions of the meeting minutes should be delivered to all members of the Audit Committee for their comments and records, within a reasonable time after the meetings.

Chapter V Other Specific Working Procedures

Article 30 The department of securities affairs shall be responsible for the preparation of the decision-making of the Audit Committee, contact the related departments (including external experts or intermediaries engaged by the Audit Committee in the course of the discussion of the matters), coordinate with the audit and inspection department, the financial center and relevant departments of the Company to obtain relevant materials, and provide the following written materials to the Audit Committee:

- (i) relevant financial reports of the Company;
- (ii) working reports of the internal audit department;
- (iii) contracts with the external audit agency and relevant working reports; and
- (iv) other relevant matters.

Article 31 The internal audit department and the financial center of the Company shall coordinate with the department of securities affairs to complete tasks set out above, and provide the department of securities affairs with the respective reports of their departments and relevant documents required by the Audit Committee, which shall be sent to all members of the Audit Committee after being integrated by the department of securities affairs. The Audit Committee shall review the foregoing reports and shall submit the relevant written resolutions to the Board for consideration.

Article 32 After each Audit Committee meeting, the department of securities affairs proceed shall summarize any specific opinions into a meeting summary. Any diverse opinions raised in the meeting shall be factually recorded in the meeting summary. The meeting summary shall be submitted to the Board after being signed by the committee members who are present at the meeting. The meeting summary shall be numbered in the sequence of year, session, and time.

Article 33 The department of securities affairs shall take meeting minutes for every Audit Committee meeting. The meeting minutes shall include the following: (i) the date, venue, and convener of the meeting; (ii) the names of the committee members who are present at the meeting and names of the authorized proxies; (iii) the subject and agenda of the meeting; (iv) the key points and suggestions raised by the participants; (v) other relevant information at the meeting; (vi) the name of the scribe.

Drafts and final versions of the meeting minutes should be delivered to all members for their comments and record within a reasonable time after the meeting. The meeting minutes shall be signed by the members who are present at the meeting and the company secretary. The department of securities affairs shall submit copies of the meeting minutes and meeting summaries to each member within three working days after the meeting minutes are executed.

Article 34 The company secretary is responsible for the keeping of all meeting summaries, full minutes of Audit Committee meetings, the powers of attorney of the principal, and other meeting materials.

Article 35 In any event, the Audit Committee has significant or special matters which are required to be considered by the Board when the Board is in recess, the Audit Committee may, through the company secretary, submit a written report to the Board and may recommend the chairman of the Board to convene a Board meeting to discuss such matter.

Article 36 The Board shall receive a report on the work of the Audit Committee since the last regular Board meeting, or a report on a particular issue made by either the chairman of the Audit Committee, a committee member authorized by him/her, or the audit department.

Article 37 Any written reports submitted to the Board by the Audit Committee shall be signed and approved by the chairman of the Audit Committee or a member authorized by him/her and shall be submitted to the Board through the company secretary.

Article 38 In any event, the senior management of the Company has significant or special matters of concern when the Audit Committee is in recess, the senior management can submit a written report to the Audit Committee through the company secretary, and may recommend the chairman of the Audit Committee to convene a meeting to discuss such matter.

Chapter VI Supplementary Provisions

Article 39 Unless otherwise specified, the meaning of terms used in these terms of reference shall be the same as the meaning of those in the Articles of Association.

Article 40 For those matters not covered by these terms of reference or in the event that these terms of reference are inconsistent with the laws, regulations, Hong Kong Listing Rules currently in force or as promulgated or amended from time to time, or the Articles of Association which are formulated or revised by lawful procedures, after these terms of reference become effective, such laws, regulations, Hong Kong Listing Rules or the Articles of Association shall prevail and these terms of reference shall be amended forthwith and submitted to the Board of the Company for consideration and approval.

Article 41 These terms of reference were considered and approved by the Board of the Company, and shall become effective from the date of listing and dealing of the shares issued by the Company on The Stock Exchange of Hong Kong Limited.

Article 42 The right of interpretation of these terms of reference shall be vested to the Board of the Company.