

**CHINA JIUHAO HEALTH INDUSTRY CORPORATION LIMITED**

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 419)

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**Terms of Reference of the Audit Committee  
of the board of directors (the “Board”) of the Company**

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**1. CONSTITUTION**

The Board of China Jiuhaio Health Industry Corporation Limited (the “Company”) has resolved to establish an Audit Committee (“Audit Committee”).

**2. MEMBERSHIP**

- a. The members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company only and shall consist of not less than three members, at least one of whom is an independent non-executive director with appropriate qualifications or accounting or related financial management expertise as required in Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
- b. The Chairman of the Audit Committee appointed by the Board must be a member of the Audit Committee and an independent non-executive director of the Company.
- c. The secretary of the Audit Committee shall be the company secretary of the Company.
- d. The appointment of the members and secretary of the Audit Committee may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board.

**3. PROCEEDINGS OF THE AUDIT COMMITTEE**

**3.1 Notice**

- a. Notice of any meetings of the Audit Committee has to be given at least 14 days prior to any such meeting being held. Any member may waive any notice required to be given by law or under these terms of reference, and the attendance of a member at a meeting shall be deemed to be a waiver by such member. Any member of the Audit Committee may, and the secretary of the

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Audit Committee on the request of a member of the Audit Committee or external auditors shall, at any time summon a meeting of the Audit Committee. Notice shall be given to each member of the Audit Committee by telephone, by e-mail, by facsimile or any other electronic means at the telephone number, email address or facsimile number from time to time notified to the secretary by such member of the Audit Committee or in such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing.

- b. Notice of meeting shall state the place, date and time of the meeting.
- c. An agenda together with other documents which may be required to be considered by the members of the Audit Committee for the purposes of the meeting shall be circulated to all members in a timely manner and at least 3 days before the intended date of the meeting.

### **3.2 Quorum**

The quorum of the Audit Committee meeting shall be two (2). Any member of Audit Committee may participate in a meeting by means of telephonic or other similar communication whereby all persons participating in the meeting can hear each other speak, and participation in a meeting in this manner shall be deemed to constitute presence in person at such meeting and any member may be situated in any part of the world for any such meeting. The Chairman of Audit Committee shall preside as chairman at every meeting of the Audit Committee. In the absence of the Chairman, the members present may choose one of their members (another independent non-executive director) to be chairman of the meeting.

### **3.3 Frequency of meetings**

Meetings shall be held at least twice a year.

## **4. WRITTEN RESOLUTIONS**

A resolution signed by all the members of Audit Committee shall be as valid as if it had been passed at a meeting of Audit Committee.

## **5. ANNUAL GENERAL MEETING**

The Chairman of the Audit Committee shall attend the annual general meeting of the Company ("AGM"). If the Chairman of the Audit Committee is unable to attend the AGM, another member of the Audit Committee or failing this his duly appointed delegate, shall be available to answer questions at the AGM.

## 6. **AUTHORITY**

The Audit Committee may exercise the following powers in order to perform its duties:

- a. to seek any information it requires from any employee of the Company (together with its subsidiaries from time to time, the “Group”);
- b. to access to independent professional advice if necessary at the Company’s expense and be provided with sufficient resources to perform its duties.
- c. to report to any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- d. to review the Group’s risk management and internal control systems;
- e. to review the adequacy of resources, staff qualifications and experience of the Group’s accounting, internal audit and financial reporting functions ;
- f. to make recommendations to the Board for the improvement of the Group’s risk management and internal control systems;
- g. to request the Board to take all necessary actions, including convening a extraordinary general meeting, to replace and dismiss the auditors of the Group; and

## 7. **DUTIES**

The duties of the Audit Committee shall include, without limitation:

### *Relationship with external auditors*

- a. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- b. to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

- c. to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, “external auditor” includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- d. to meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.

*Review of the Company’s financial information*

- e. to monitor integrity of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major 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 Listing Rules and legal requirements in relation to financial reporting;
- f. Regarding (e) above:
  - (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company’s auditors; and
  - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company’s staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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

- g. to review the Company's financial controls, risk management and internal control systems;
- h. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- i. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- j. where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- k. to review the Group's financial and accounting policies and practices;
- l. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- m. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- n. to report to the Board on the matters in the code provisions as stated in Appendix 14 of the Listing Rules; and
- o. to consider other topics as defined by the Board.

*Others*

- a. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- b. to act as the key representative body for overseeing the Company's relations with the external auditor; and

- c. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee should provide a statement to the Board explaining its recommendation.

**8. REPORTING PROCEDURES**

At the next Board meeting following the Audit Committee's meeting, the Chairman of the Audit Committee shall report the findings and recommendations of the Audit Committee to the Board.

**9. MINUTES AND RECORDS**

- a. Full minutes of the meetings and written resolutions of the Audit Committee should be kept by the secretary of the Audit Committee.
- b. The secretary of the Audit Committee shall circulate the draft and final versions of minutes of the meeting of the Audit Committee to all members of the Audit Committee for their comment and records respectively within a reasonable time after the meeting. The secretary of the Audit Committee shall record individual attendance of members of the Audit Committee, on a named basis, at meetings.

**10. CONTINUING APPLICATIONS OF THE BYE-LAWS OF THE COMPANY**

The bye-laws of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and not inconsistent with the provisions of these terms of reference shall apply, mutatis mutandis, to regulate the meetings and proceedings of the Audit Committee.

In the event of any inconsistency, the English language text of these terms of reference shall prevail over the Chinese language text.

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