

Shanghai Chicmax Cosmetic Co., Ltd.

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF
THE BOARD OF DIRECTORS**

**(Approved on December 5, 2022 in the eleventh meeting of the first session of the board
of directors of the Company)**

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TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHAPTER 1 GENERAL PROVISIONS

- Article 1** These terms of reference (these “**Terms**”) are established by Shanghai Chicmax Cosmetic Co., Ltd. (the “**Company**”) for the audit committee (the “**Audit Committee**” or the “**Committee**”) under its board of directors (the “**Board**”) in accordance with the Company Law of the People’s Republic of China, the Articles of Association of Shanghai Chicmax Cosmetic Co., Ltd. (the “**Articles of Association**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and other relevant laws, administrative regulations and regulatory documents in order to boost the decision-making capacity of the Board of the Company, strengthen the effective supervision of the management by the Board of the Company and improve the corporate governance structure.
- Article 2** The Audit Committee is a body of the Board specifically set up by the Board in accordance with resolutions of general meetings, and is mainly responsible for supervision, inspection and evaluation of, among others, the internal control, risk management, financial information and internal audit of the Company, and maintenance of relationship with the external auditors and the report to the Board.
- Article 3** These Terms shall apply to the Audit Committee and relevant personnel and departments involved in these Terms.

CHAPTER 2 COMPOSITION

- Article 4** The Audit Committee shall comprise of at least three non-executive directors, of which the majority shall be independent non-executive directors, and at least one independent non-executive director with suitable professional qualifications required by Rule 3.10(2) of the Hong Kong Listing Rules, or accounting or related financial management expertise. A former partner of the external auditor which is responsible for auditing the Company’s accounts shall not act as a member of the Audit Committee within two years from the following date (whichever is later): (1) the date of his ceasing to be a partner of the external auditor; or (2) the data of his ceasing to have any financial interest in the external auditor.
- Article 5** The chairman and members of the Audit Committee shall be appointed and removed by the Board in accordance with the procedures provided in laws, regulations, listing rules of the stock exchange where the Company’s shares are listed and the Articles of Association.
- Article 6** The Audit Committee shall have one chairman, who shall be an accounting professional. The chairman shall be elected among the members who are independent non-executive directors and shall be responsible for presiding over the work of the Audit Committee.

Article 7 The term of office of the Audit Committee shall correspond to the term of office of the Board. Members of the Audit Committee may serve consecutive terms if re-elected. In the event that during the term a member of the Audit Committee ceases to be a director of the Company, his/her membership on the Audit Committee shall lapse automatically. A member may submit resignation to the Board before the expiration of his/her term of office. Such resignation shall specify reasons for the resignation and any matters which would require the attention of the Board of the Company. Changes to the members of the Audit Committee may be made during their term of office by the Board as and when proposed by the chairman of the Board and discussed and approved by the Board. When the number of Audit Committee members falls below the required number of the Audit Committee members under these Terms, the Board shall appoint additional members to the Audit Committee in accordance with these Terms to fill the vacancies. The term of office of such additional members will expire as their term of office as directors expires.

CHAPTER 3 DUTIES AND RESPONSIBILITIES

Article 8 The main duties and powers of the Audit Committee include:

- (1) being primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, approving the remuneration and the terms of appointment of the external auditors, and dealing with any matters related to the resignation or dismissal of the external auditors;
- (2) reviewing and monitoring the independence and objectivity of the external auditors and the effectiveness of the auditing procedures in accordance with applicable standards; and discussing the nature and scope of the audit and the related reporting obligations with the auditors before the commencement of audit work;
- (3) formulating and implementing the policies on the engagement of external auditors to provide non-audit services. For this purpose, “external auditors” shall include 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 as part of the audit firm nationally or internationally. The Audit Committee shall report any matters where action or improvement is needed to the Board and make recommendations on such matters;
- (4) monitoring the integrity of the Company’s financial statements, annual reports and accounts, interim reports and quarterly reports (if prepared for publication), and reviewing the major opinions related to financial reporting as disclosed in the statements and reports; and, before submitting relevant statements and reports to the Board, reviewing the following issues in particular:
 1. any changes in accounting policies and practices;
 2. major judgmental areas;

3. significant adjustments resulting from audit;
 4. the going concern assumption and any qualifications;
 5. compliance with the accounting standards; and
 6. compliance with the Hong Kong Listing Rules and the legal requirements related to financial reporting;
- (5) regarding item (4) above:
1. members of the Audit Committee shall liaise with the Board and the senior management. The Audit Committee shall meet the Company's auditors at least twice a year; and
 2. the Audit Committee shall consider any significant or unusual items that are, or need to be, reflected in such reports and accounts and shall give due consideration to any issues that have been raised by the staff of the Company responsible for accounting and financial reporting function, the compliance officer or the auditors;
- (6) reviewing the financial controls, and (unless expressly addressed by a separate Board risk committee, or by the Board itself) the risk management and the internal control systems of the Company;
- (7) discussing the risk management and internal control system with management to ensure that management has discharged its duties to establish an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (8) considering any findings of major investigations on risk management and internal control matters on its own initiative or as delegated by the Board, and the management's response to these findings;
- (9) where an internal audit function is maintained in the Company, ensuring coordination between the internal and external auditors, and also ensuring the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring the effectiveness of the internal audit function;
- (10) reviewing the financial and accounting policies and practices of the Group;
- (11) reviewing the external auditors' management letter to the management, any material queries raised by the auditors to the management in respect of the accounting records, financial accounts or system of control and management's response;
- (12) ensuring prompt response by the Board to the issues raised by the external auditors in the external auditors' management letter to the management;

- (13) reporting to the Board regarding the matters in the provisions in the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules;
- (14) considering other topics defined by the Board;
- (15) reviewing the following arrangement set up by the Company: employees of the Company may raise concerns about possible improprieties that may occur in financial reporting, internal control and other aspects in confidence; and ensuring appropriate arrangements are in place to allow the Company to carry out fair and independent investigations and take appropriate actions on such matters;
- (16) acting as the key representative body in between, and overseeing the Company's relations with the external auditors.

Article 9

The main duties and powers of the chairman of the Audit Committee include:

- (1) convening and chairing the meetings of the Audit Committee, signing and issuing the resolutions of the meetings;
- (2) proposing the convening of extraordinary meetings;
- (3) heading the Audit Committee and ensuring its effective operation and performance of duties;
- (4) ensuring that a clear conclusion is drawn for each topic discussed by the Audit Committee, such conclusion may be pass, rejection or deferral (to be reconsidered with supplementary materials);
- (5) determining the agenda of each Committee meeting;
- (6) ensuring that all members present at the Audit Committee meeting are informed of the matters to be discussed at such meeting and that every member is provided with complete and reliable information;
- (7) other duties as stipulated in the laws, regulations, the Hong Kong Listing Rules and other relevant regulatory rules of the places where the shares of the Company are listed, these Terms and as required or delegated by the Board.

Article 10

Main duties and powers of the members include:

- (1) attending the meetings of the Audit Committee on time and expressing opinions on the matters deliberated at the meetings and exercising their voting rights;
- (2) proposing matters to be deliberated at the meetings of the Audit Committee;

- (3) attending relevant meetings of the Company as non-voting delegates or visitors, conducting surveys and researches and collecting relevant information such as reports, documents and materials for the purpose of discharging their duties;
- (4) fully understanding the duties of the Audit Committee and those of himself/herself as a member of the Audit Committee and acquainting himself/herself with relevant information on the operation and management, business activities and development of the Company to ensure his/her capacity for discharging duties;
- (5) fully ensuring that he/she has sufficient working hours and energy to fulfil his/her duties;
- (6) other duties as stipulated in the laws, regulations, the Hong Kong Listing Rules and other relevant regulatory rules of the places where the shares of the Company are listed, these Terms and as required or delegated by the Board.

Article 11

The Audit Committee shall be accountable to the Board and any proposal from the Audit Committee should be submitted to the Board for consideration and approval, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements). The Audit Committee shall provide the Board with discussions, materials and information in the forms of reports, proposals and conclusions for consideration and decision-making. The Audit Committee shall cooperate with the supervisory committee with respect to its audit activities.

Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

CHAPTER 4 RULES OF PROCEDURE

Article 12

The Audit Committee shall hold a meeting at least once a year as required by the Board or proposed by the members of the Audit Committee.

The office of the Board of the Company shall notify all members two (2) days before the meeting, however, the above notice period can be exempted with the unanimous consent of all members attending the meeting.

All meetings shall be chaired by the chairman of the Audit Committee. The chairman can appoint a member to chair the meeting if he/she is not available to attend this meeting.

- Article 13** The notice of the meeting should include the location and time of the meeting, the duration of the meeting, the meeting agenda, and the issues to be discussed, as well as the date of the notice. The notice of the meeting can be delivered by hand, facsimile, e-mail, or registered mail.
- Article 14** Meetings may be held by way of on-site meetings or by means of correspondence meetings. The correspondence meetings include telephone conferences, video conferences and meetings to consider written proposals, etc.
- Article 15** The quorum of a meeting of the Audit Committee shall be not less than two-thirds of the members (including proxies appointed in writing authorizing another member of the Committee to attend the meeting). Each member shall have one vote. A resolution of the meeting shall be passed by more than half of the members.
- Article 16** Voting at the meeting of the Audit Committee shall be taken by a show of hands or other voting methods as determined by the chairman.
- Article 17** Directors of the Company, relevant senior management, relevant experts of the Company, or social experts, scholars as well as intermediary agencies and relevant personnel may be invited to attend the meetings of the Audit Committee when necessary. Such persons being invited shall give explanations and elaboration on relevant matters at the request of the member(s) of the Audit Committee. The directors of the Company who are not a member of the Audit Committee may attend the Audit Committee meetings in non-voting capacity.
- Article 18** The Company should provide the Audit Committee sufficient resources to perform its duties. The Audit Committee may appoint intermediaries when necessary to provide independent professional opinions thereto at the expense of the Company.
- Article 19** The convening procedures, voting methods and the resolutions to be approved at the meetings of the Audit Committee shall comply with the relevant laws, regulations, the listing rules of the stock exchange where the Company's shares are listed, the Articles of Association, and these Terms.

The Audit Committee shall keep minutes of its meetings. The members present at the meeting, the secretary to the Board attending the meeting without voting right shall sign the minutes of the meeting of the Audit Committee. The minutes of the meeting shall be kept by the secretary to the Board of the Company in accordance with the Company's file management system and should be open for inspection at any reasonable time on reasonable notice by any director of the Company.

Minutes of meetings of the Audit Committee should record in sufficient detail the matters considered and decisions reached, including any concerns raised by the Audit Committee members or dissenting views expressed. Draft and final versions of minutes should be sent to all Audit Committee members for their comment and records respectively, within a reasonable time after the meeting is held.

Article 20 Any resolutions passed and the result of any polls taken at a meeting of the Audit Committee shall be reported in writing to the Board.

Article 21 If a member of the Audit Committee is interested in any matter being considered by the Audit Committee, such member shall abstain from voting of such matter.

Article 22 All persons attending the meetings of the Audit Committee shall keep all matters discussed at the meetings confidential and shall not disclose any such information without authorization.

Article 23 All members of the Audit Committee shall attend the meeting in person. If a member is unable to attend the meeting in person, such member shall, by signing and submitting a letter of proxy, authorize another member of the Audit Committee to attend and express opinion at the meeting on his/her behalf. Such letter of proxy shall expressly state the scope and term of the authorization. Any member of the Audit Committee shall not accept appointments of proxy by two or more members simultaneously.

The member attending a meeting on behalf of another member shall exercise the rights within the scope of authorization. If a member does not attend a meeting in person or authorize another member to exercise the rights on his/her behalf, nor does he/she submit any opinion in writing prior to the meeting, he/she shall be deemed to have waived his/her rights.

A member who is unable to attend a meeting in person may also exercise his/her rights by submitting in writing his/her opinion with respect to any matter on the meeting agenda, provided that such written opinion shall be submitted to the office of the Board before the meeting.

Article 24 If a member does not attend a meeting in person or authorize another member to attend such meeting on his/her behalf, nor does he/she submit any opinion in writing prior to the meeting on two consecutive occasions, or if such member fails to attend in person 3/4 of all meetings of the Audit Committee held during any year, such member shall be deemed incapable of performing the duties of the Audit Committee, and the Board may replace him/her in accordance with these Terms.

CHAPTER 5 COORDINATION AND COMMUNICATION

Article 25 In the event that the Audit Committee encounters any significant or special matters that require to be considered by the Board for study when the Board is in recess, it may submit a written report to the Board through the secretary to the Board and may propose to the chairman of the Board to convene a Board meeting for discussion.

Article 26 Any written report submitted by the finance department to the Audit Committee shall be signed and issued by its person in charge and submitted to the Audit Committee through the secretary to the Board or the office of the Board.

Article 27 Written reports submitted by the Audit Committee to the Board shall be signed and issued by the chairman or a member authorized by him/her, and shall be submitted to the Board through the secretary to the Board.

Article 28 In the event that the senior management of the Company encounters any significant or special matter when the Audit Committee is in recess, it may submit a written report to the Audit Committee through the secretary to the Board or the office of the Board and may propose to the chairman of Audit Committee to convene a meeting for discussion.

Article 29 The Audit Committee shall report to the Board by the chairman or a member authorized by him/her on the work of the Audit Committee since the last regular Board meeting or make a thematic presentation on a particular issue.

Article 30 The Company should establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the issuer.

CHAPTER 6 WORKING BODY OF THE BOARD

Article 31 The secretary to the Board of the Company is responsible for organizing and coordinating the work of the Audit Committee and relevant departments. The secretary to the Board may attend the meetings of the Audit Committee.

Article 32 The office of the Board of the Company and relevant departments of the Company shall cooperate in performing tasks in relation to the Audit Committee.

CHAPTER 7 SUPPLEMENTARY PROVISIONS

Article 33 These Terms shall take effect from the date of listing of overseas listed foreign shares (H Shares) issued by the Company on the Main board of the Hong Kong Stock Exchange after being considered and approved by the Board of the Company. The same shall apply for any amendments to these Terms.

Article 34 Any matters not covered by these Terms shall be implemented in accordance with the provisions of the relevant laws, regulations and regulatory documents of the State, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association. Where there is a conflict between these Terms and the laws, regulations and regulatory documents of the State, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association, these Terms shall be implemented in accordance with the provisions of the relevant laws, regulations and regulatory documents of the State, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association.

- Article 35** In these Terms, “at least”, “within” and “below” are inclusive of the principal amount whereas “more than”, “less than”, “other than”, “lower than” and “more than” are exclusive of the principal amount.
- Article 36** These Terms shall be interpreted by the Board.
- Article 37** These Terms are available in both Chinese and English. In the event of any inconsistency between the two versions, the Chinese version shall prevail.
- Article 38** The Audit Committee should make available these Terms on the websites of the Stock Exchange of Hong Kong Limited and the Company.