



Beijing Biostar Pharmaceuticals Co., Ltd.

北京華昊中天生物醫藥股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2563)

**IMPLEMENTATION RULES OF THE AUDIT COMMITTEE OF
THE BOARD OF DIRECTORS**

CHAPTER I: GENERAL PROVISIONS

Article 1 To enhance the decision-making functions of the Board of Directors of Beijing Biostar Pharmaceuticals Co., Ltd. (hereinafter referred to as the “Company”), strengthen the effective oversight over management by the Board of Directors, and improve the corporate governance structure, the Company has established the Audit Committee of the Board of Directors and formulated these Implementation Rules in accordance with the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”), the Articles of Association of Beijing Biostar Pharmaceuticals Co., Ltd. (hereinafter referred to as the “Articles of Association”), and other relevant laws, administrative regulations, and normative documents.

Article 2 The Audit Committee of the Board of Directors is a specialized working body established by the Board of Directors in accordance with the resolutions of the shareholders’ general meeting and is accountable to the Board of Directors. Its primary duties are to supervise, inspect, and evaluate the Company’s internal control, financial information, and internal audit in accordance with the provisions of the Articles of Association.

CHAPTER II: COMPOSITION OF THE AUDIT COMMITTEE

Article 3 The Audit Committee shall be composed of at least three directors, all of whom must be non-executive directors, with the majority being independent non-executive directors. Among the members, at least one independent non-executive director must possess appropriate professional qualifications or suitable expertise in accounting or relevant financial management, as required by the Hong Kong Listing Rules.

Article 4 Members of the Audit Committee shall be nominated by the Chairman, by more than half of the independent non-executive directors, or by one-third of all directors, and shall be elected by the Board of Directors. A former partner of the external audit firm currently responsible for auditing the Company's accounts may not serve as a Committee member within two years from the later of the following dates:

- (1) The date they ceased to be a partner of the external audit firm;
- (2) The date they no longer held any financial interest in the external audit firm.

Article 5 The Audit Committee shall have a convener, who shall be an independent non-executive director with accounting expertise and will be responsible for leading the work of the Audit Committee. The convener shall be elected from among the members and approved by the Board of Directors.

Article 6 The primary responsibilities and powers of the convener of the Audit Committee include:

- (1) Presiding over Committee meetings and signing meeting resolutions;
- (2) Proposing the convening of meetings;
- (3) Leading the Committee and ensuring its effective operation and performance of its duties;
- (4) Ensuring that each item discussed by the Committee has a clear and conclusive outcome (including approval, rejection, or requests for supplementary materials);
- (5) Setting the agenda for each Committee meeting;
- (6) Ensuring that all Committee members understand the matters discussed and have access to complete and reliable information;
- (7) Exercising other powers as stipulated by these Implementation Rules.

Article 7 The term of office for Audit Committee members shall coincide with the term of the directors. Members may be re-elected upon the expiration of their term. Any member who ceases to serve as a Company director or an independent non-executive director shall automatically lose their Committee membership, and the Board of Directors shall fill the vacancy in accordance with these Implementation Rules.

Article 8 The main responsibilities and powers of Committee members include:

- (1) Attending Committee meetings on time, expressing opinions on matters discussed, and exercising voting rights;
- (2) Proposing agenda items for Committee meetings;
- (3) Attending or observing relevant Company meetings and conducting investigations as needed to obtain required reports, documents, materials, and other related information to fulfill their duties;
- (4) Gaining a thorough understanding of the Committee's responsibilities and their duties as Committee members, as well as being familiar with the Company's operation, management, business activities and development relevant to their roles to ensure their ability to perform duties effectively;
- (5) Ensuring they dedicate sufficient time and effort to fulfill their duties;
- (6) Exercising other powers stipulated by law, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed, these Implementation Rules, and the Board of Directors.

Article 9 The Audit Committee shall establish an Audit Working Group as its administrative office, responsible for day-to-day communication and meeting organization.

CHAPTER III: RESPONSIBILITIES AND AUTHORITIES

Article 10 The primary responsibilities and authorities of the Audit Committee are as follows:

- (1) Supervising and evaluating external audits
 1. Recommending to the Board of Directors the appointment, reappointment, or change of the accounting firm, advising the Board of Directors on remuneration and terms of engagement of the external audit firm, and handling any issues related to resignation or dismissal of the audit firm. The Board of Directors may only deliberate relevant proposals for appointing or changing an external accounting firm after the Audit Committee has formed an opinion and made a recommendation;

2. Reviewing and monitoring the independence and objectivity of the external audit firm and the effectiveness of the audit process according to applicable standards. The Committee should discuss the audit nature, scope, and reporting responsibilities with the external audit firm before the audit work begins. To ensure the external audit firm's independence, the Committee shall: review relationships between the Company and the audit firm (including non-audit services); request materials annually from the audit firm on policies and procedures for maintaining independence and enforcing relevant rules, including requirements for partner and staff rotation; meet with the external audit firm at least once a year without management present to discuss audit fees, issues arising from audits, and other matters raised by the audit firm;
3. Formulating and implementing policies on the provision of non-audit services by the external audit firm. For this provision, "external audit firm" includes any entity under the same control, ownership, or management as the audit firm responsible for auditing, or any entity reasonably perceived as part of the local or international operations of the audit firm by a third party with reasonable knowledge of all relevant information. The Committee should report to the Board of Directors on actions or improvements it deems necessary.

(2) Guiding internal audit

1. Reviewing the Company's annual internal audit plan;
2. Overseeing the implementation of the internal audit plan;
3. Reviewing internal audit reports, evaluating results, and monitoring rectifications of significant issues;
4. Guiding and monitoring the effective operation of the internal audit department;
5. Advising on the appointment and removal of the head of the internal audit department.

The internal audit department shall report to the Committee, and audit reports, rectification plans, and updates provided to management shall also be submitted to the Committee.

(3) Reviewing financial information and disclosures

Reviewing and monitoring the authenticity, completeness, and accuracy of the Company's financial statements, annual reports and accounts, interim reports, and quarterly reports (if issued), and reviewing the material opinions on financial reporting as contained in financial statements and reports, with a particular focus on fraud, misrepresentation, and material misstatements. The Committee should examine the following aspects when submitting reports to the Board of Directors:

1. Any changes in accounting policies and practices;
2. Areas requiring significant judgments;
3. Major adjustments arising from the audit;
4. The going concern assumption and any qualified opinions;
5. Compliance with accounting standards;
6. Compliance with regulatory and legal requirements related to financial reporting in the jurisdiction where the Company's shares are listed.

In connection with this provision, Committee members shall communicate with the Board of Directors, senior management, and the audit firm. The Committee shall meet with the external audit firm at least twice annually, consider major or unusual items reflected in the reports and accounts, and pay due attention to issues raised by accounting and financial staff, the compliance department, or the external audit firm.

(4) Evaluating the effectiveness of internal controls and monitoring financial reporting, internal controls, and risk management systems

1. Reviewing the Company's financial, internal control, and risk management systems;
2. Discussing with management the risk management and internal control systems to ensure effective systems are established. The discussion should include resources, staff qualifications and experience, training, and budget sufficiency in accounting and financial reporting functions;
3. Undertaking, on its own initiative or at the direction of the Board of Directors, research on significant investigations relating to risk management or control systems and management's response to the findings;

4. Coordinating internal and external audits, ensuring sufficient resources and appropriate status for the internal audit function, and reviewing its effectiveness;
 5. Reviewing the Company's financial and accounting policies and practices;
 6. Examining the "Audit Explanation Letter" issued by the external audit firm to the management, any significant concerns raised by the external audit firm regarding accounting records, financial accounts, risk management, or control systems, and management's responses; ensuring timely response by the Board of Directors to issues raised in the "Audit Explanation Letter";
 7. Reporting to the Board of Directors on matters outlined in D.3.3 of Appendix 14 to the Hong Kong Listing Rules (and its provisions as amended from time to time) and reporting Committee decisions or recommendations to the Board of Directors, unless restricted by law or regulations;
 8. Studying other topics defined by the Board of Directors.
- (5) Facilitating communication between internal and external audits, acting as the primary representative between the Company and external auditors and supervising their relationship;
 - (6) Ensuring the Company has established proper channels for employees to raise concerns in confidence regarding potential misconduct related to financial reporting, internal controls, or other matters. The Committee shall ensure appropriate arrangements for fair and independent investigations and appropriate actions;
 - (7) Performing corporate governance duties, supervising and improving corporate governance principles, structures and systems:
 1. Formulating and reviewing corporate governance policies and practices, making recommendations to the Board of Directors;
 2. Reviewing and monitoring the training and continuing professional development of directors, supervisors, and senior management;
 3. Reviewing and monitoring compliance policies and practices;
 4. Formulating, reviewing, and monitoring employee and director codes of conduct and compliance manuals (if any);
 5. Reviewing compliance with the Corporate Governance Code in Appendix 14 of the Hong Kong Listing Rules and disclosures in the Corporate Governance Report.

(8) Other matters mandated by law, regulations, listing rules of the place where the Company's shares are listed, or Board authorization.

Article 11 The Audit Committee reports to the Board of Directors. The Committee's proposals are submitted to the Board of Directors for review and decision-making. The Committee shall cooperate with the Supervisory Committee in audit activities.

The Committee shall provide all research discussions, materials, and information in the form of reports, recommendations, and summaries to the Board of Directors for consideration and decision-making.

CHAPTER IV: RULES OF PROCEDURE

Article 12 The Audit Committee shall convene at least two meetings annually, with a three-day advance notice provided to all members. However, this notice period may be waived upon unanimous consent of all members. Meetings shall be presided over by the Chair of the Audit Committee. If the Chair cannot attend, they may designate an independent non-executive director to preside.

Article 13 An Audit Committee meeting may only proceed if at least two-thirds of the members (including those attending by proxy) are present. Each member holds one vote, and resolutions require a majority vote from all attending members to pass.

Article 14 Audit Committee resolutions shall be voted on either by a show of hands or by ballot.

Article 15 When necessary, the Audit Committee may invite the Company's directors, supervisors, and other senior management to attend meetings.

Article 16 If necessary, the Audit Committee may engage external advisors to provide professional opinions for decision-making, with reasonable expenses covered by the Company.

Article 17 The procedures for convening Audit Committee meetings, voting methods, and resolutions must comply with relevant laws, regulations, securities regulatory rules of the place where the Company's shares are listed, the Articles of Association, and these Implementation Rules.

Article 18 Minutes shall be taken at each Audit Committee meeting, and all attending members shall sign the minutes. Complete meeting records shall be kept by the formally appointed Committee Secretary (typically the Company Secretary). Draft minutes and final minutes shall be distributed to all Committee members within a reasonable time after the meeting. Draft minutes are for member comments, and final minutes serve as official records.

Article 19 Resolutions and voting results from Audit Committee meetings shall be reported to the Board of Directors in writing.

Article 20 All members attending the meeting are obligated to keep meeting matters confidential and may not disclose relevant information without authorization.

CHAPTER V: COORDINATION AND COMMUNICATION

Article 21 During Board recesses, if the Audit Committee identifies significant or special matters requiring Board review, it may submit a written report to the Board of Directors through the Secretary of the Board of Directors and may recommend that the Chairman convene a Board meeting for discussion.

Article 22 Any written report submitted to the Audit Committee by senior management shall be signed by the General Manager or the senior manager responsible for the matter and submitted to the Audit Committee through the Secretary of the Board of Directors or the Board of Directors Office.

Article 23 Written reports submitted by the Audit Committee to the Board of Directors shall be signed by the Chair or an authorized Committee member and submitted to the Board of Directors through the Secretary of the Board of Directors.

Article 24 During Audit Committee recesses, if senior management identifies any significant or special matters, they may submit a written report to the Audit Committee through the Secretary of the Board of Directors or the Board of Directors Office and may suggest that the Chair of the Audit Committee convene a meeting for discussion.

Article 25 The Audit Committee Chair, or an authorized member, shall report to the Board of Directors on the Committee's activities since the last regular Board meeting or provide a specific report on particular matters.

CHAPTER VI: SUPPLEMENTARY PROVISIONS

Article 26 Unless otherwise specified, terms used in these Implementation Rules have the same meanings as those defined in the Articles of Association.

Article 27 These Implementation Rules shall become effective upon the listing of the Company's overseas-listed shares (H shares) on the Hong Kong Stock Exchange, following approval by the Board of Directors.

Article 28 For matters not covered in these Implementation Rules, relevant national laws, regulations, securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association shall apply. In the event of a conflict between these Implementation Rules and national laws, regulations, securities regulatory rules of the place where the Company's shares are listed, or any amendments to the Articles of Association, the latter shall prevail. These Implementation Rules shall then be amended accordingly and submitted to the Board of Directors for approval.

Article 29 The power to amend and interpret these Implementation Rules rests with the Board of Directors.