

Shanghai Pharmaceuticals Holding Co., Ltd.

Implementation Rules of the Audit Committee of the Board of Directors

Chapter 1 General Provisions

Article 1 These implementation rules (the “Rules”) are formulated for the audit committee (the "Audit Committee") of the Board of Directors (the "Board") established by Shanghai Pharmaceuticals Holding Co., Ltd. (the "Company") in accordance with the *Company Law of the People's Republic of China*, the *Standards on Corporate Governance of Listed Companies*, the *Measures on the Administration of Independent Directors of Listed Companies*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the "*Listing Rules of the Stock Exchange*"), the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, *Shanghai Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 1 – Standardised Operation*, the *Articles of Association* and the *Rules of Procedure of the Board of Directors* of the Company and other relevant regulations, in order to strengthen the decision-making function of the Board, achieve audit in advance and professional audit, ensure effective supervision over the president-level management by the Board and optimise the corporate governance structure of the Company.

Article 2 The Audit Committee is a body specifically set up under the Board, mainly responsible for the relationship between the Company and the external auditors, reviewing the financial information of the Company, supervising the financial reporting mechanism and risk management and internal control systems of the Company, and considering and supervising environmental, social and governance matters of the Company.

Chapter 2 Composition

Article 3 The Audit Committee shall consist of three independent directors, including at least one accounting professional.

Article 4 Members of the Audit Committee shall be nominated by the Chairman of the Board, one-half (1/2) or more of the independent directors or one-thirds (1/3) or more of all directors, and shall be elected by the Board.

Article 5 The Audit Committee shall have one (1) convener who shall be an accounting professional from its members to preside over the committee. The conveners shall be

elected from the members, subject to approval by the Board.

Article 6 The term of office of the Audit Committee shall be in congruence with that of the Board. Members may be re-elected and re-appointed upon the expiry of their terms of office. If a member no longer maintains the position as a director of the Company during the term, he or she shall automatically lose the qualification as a member of the committee, and the Board shall fill up the vacancy in accordance with Article 3 to Article 5 hereinbefore.

Article 7 The Audit Committee shall have one secretary; the Audit and Supervision Department of the Company is the standing unit of the Audit Committee, responsible for routine work and liaison, organisation of meetings, etc.

Article 8 The Audit Committee has established a corporate environmental, social and governance working group, which is responsible for overseeing the environmental, social and governance matters of the Company. It serves as the executive body of the Audit Committee for environmental, social and governance related work.

Chapter 3 Duties and Authorities

Article 9 Main duties and authorities of the Audit Committee include:

(1) to make recommendations to the Board on the appointment or replacement of external auditors, and consider their remunerations, engagement terms and the issues relating to appointment, re-appointment and dismissal, which shall not be improperly influenced by the substantial shareholders, de facto controllers or directors, supervisors and senior management of the Company.;

(2) to review and monitor the independence and objectiveness of the external auditors and the effectiveness of the auditing procedures, urge the external auditors to be honest, trustworthy, diligent and responsible, strictly abide by the business rules and industry discipline regulations, strictly implement the internal control system, check and verify the Company's financial and accounting reports, perform the special care obligations, and prudently express professional opinions;

(3) to discuss with the auditors the nature and scope of the audit and financial reports before the audit commences;

(4) to formulate and implement the policies on engagement of external auditors to provide non-audit services;

(5) to monitor and evaluate the internal audit and perform the following responsibilities:

1. to guide and monitor the establishment and implementation of the internal audit system;

2. to review the annual internal audit plan of the Company;

3. to supervise the implementation of the internal audit plan of the Company;

4. to guide the effective operation of the internal audit department. The Audit and Supervision Department of the Company shall report to the Audit Committee and any audit reports, plans for rectification of audit issues and rectification progress submitted to the management by the audit department shall be forwarded to the Audit Committee;

5. to report to the Board on the progress and quality of internal audit and any material issues identified;

6. to facilitate the communications between the internal auditors and external auditors including the accounting firm and the national audit institutions and ensure coordination between the two in their work, and ensure that the internal audit function has sufficient resources for its operation and possesses an appropriate standing within the Company, and to review and monitor its effectiveness.

(6) to review the financial and accounting reports of the Company and advise as to the truthfulness, accuracy and completeness of such reports, focus on the major accounting and auditing issues in the financial and accounting reports of the Company, especially whether there is any possibility of fraud, corrupt practices or material misstatement in relation to such reports, and supervise the rectification of the issues in the financial and accounting reports and review the accounting policies and major financial judgements contained therein and the compliance with applicable accounting standards, relevant laws and regulations;

(7) to examine the internal control systems of the Company;

(8) to monitor and review the financial control, risk management and internal control systems of the Company (including its subsidiaries), and the internal mechanism for employees to report to the Company on relevant issues;

(9) to consider relevant reports on risk management and internal control of the Company, including but not limited to: the adequacy of the resources and staff qualifications and experience with respect to the Company's accounting, risk assessment and response, internal review, financial reporting functions and the environmental, social and governance performance and reporting, the training programmes and budgets, and to ensure that the management has discharged its duty in establishing effective risk management and internal control systems;

(10) to consider major investigation findings on risk management and internal control matters delegated by the Board or on its own initiative and management's response to

these finding;

(11) to conduct an audit of material related party (connected) transactions (excluding provision of guarantees, receipt of cash assets for free and debts in respect of which a listed company is relieved of its obligations) amounting to RMB30 million or more and accounting for five percent (5%) or higher of the absolute value of the latest audited net assets of the Company;

(12) to consider and supervise the environmental, social and governance matters of the Company, mainly including: approving and monitoring the establishment of the Company's environmental, social and governance goals, strategies, policies and plans; periodic reviewing of the implementation and performance of environmental, social and governance objectives, strategies, policies and plans; identifying, assessing and managing the Company's significant environmental, social and governance risks and opportunities; ensuring adequate resource allocation and monitoring of expenditures for environment, social and governance work; reviewing the annual sustainability report of the Company and submitting to the Board for approval; and periodic reporting to the Board on significant environmental, social and governance related decisions or recommendations made by the Audit Committee;

(13) other matters authorised by the Board;

(14) other duties and authorities as recommended in the Listing Rules of the Stock Exchange, the Standards on Corporate Governance of *Listed Companies*, *Shanghai Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 1 – Standardised Operation*, or other laws, regulations and rules.

Article 10 When disclosing the annual report, the Company shall disclose the annual performance of the Audit Committee of the Board in accordance with the requirements of the Stock Exchange, mainly including the performance of its duties and the convening of the meetings of the Audit Committee.

Where a review opinion on a matter within its terms of reference presented by the Audit Committee is not adopted by the Board of the Company, the Company shall make information disclosure on such matter and give full description on the reasons therefor.

Article 11 The Company has established a complaint and whistleblower mechanism which is monitored and reviewed by the Audit Committee or the Audit and Supervision Department as its standing unit, pursuant to which employees may submit internal report on possible improprieties in financial reporting, internal control, risk management or other matters. The whistleblower methods and procedures are set out in the *Implementation Rules on Disciplinary Supervision and Investigation* and the *Implementation Rules on Complaints and Petitions*.

Article 12 The Audit Committee shall report to the Board and submit proposals to the

Board for consideration and approval. The Audit Committee shall cooperate with the auditing work of the board of supervisors of the Company.

Chapter 4 Decision-making Procedures

Article 13 The Audit Department of the Company and the environmental, social and governance working group is responsible for preliminary preparations and providing the following information of the Company for the Audit Committee to make decisions:

- (1) relevant financial reports of the Company;
- (2) work reports of internal and external auditors;
- (3) the contract with external auditors and the relevant work reports;
- (4) environmental, social and governance report or sustainability report of the Company;
- (5) public information disclosure of the Company;
- (6) audit reports on material related party (connected) transactions of the Company;
- (7) other relevant matters.

Article 14 The Audit Committee shall convene meetings to discuss the reports submitted by the Audit and Supervision Department and the environmental, social and governance working group, and the following matters shall be submitted to the Board for consideration upon obtaining approval from more than half of members of the Audit Committee:

- (1) disclosing financial information and internal control evaluation reports in financial and accounting reports and regular reports, including whether the risk management and internal control systems of the Company are effective, whether the financial reports and other information disclosed publicly by the Company are objective and authentic, and whether the material related party (connected) transactions of the Company are in compliance with the relevant laws and regulations, etc.;
- (2) engagement or dismissal of the accounting firm that undertakes the audit business of the Company;
- (3) engagement or dismissal of the Company's finance employee in charge;
- (4) changes in accounting policies and accounting estimates or correction of significant accounting errors resulting from reasons other than changes in accounting standards;
- (5) other relevant matters.

Chapter 5 Rules of Procedure for Meetings

Article 15 Meetings of the Audit Committee comprise regular meetings and

extraordinary meetings. Regular meetings shall be convened at least one (1) time every quarter. An extraordinary meeting may be convened when proposed by two or more members of the Audit Committee, or the convener considers it is necessary. .

A notice of meeting shall be given to all members three (3) days prior to the meeting and relevant materials and information shall be provided. The meetings shall be chaired by the convener who, if unable to attend the meeting, may appoint another member (being an independent director) to chair the meeting. Among the regular or extraordinary meetings of the Audit Committee each year, at least two (2) meetings shall be held with the participation of external auditors. The Audit Committee shall convene at least one meeting with the external auditors alone in the absence of the management every year for communication purposes.

Article 16 The quorum of the meetings of the Audit Committee shall be two-thirds (2/3) or more of all its members. Members who are unable to attend a meeting due to other commitments may appoint another member to attend the meeting on their behalf. Each member has one (1) ballot for voting. Resolutions of the meetings shall be passed by a majority of all members.

Article 17 The meeting of the Audit Committee is primarily held on site and the voting shall be made by a show of hands or by poll. The meeting, when necessary, may be held by way of video, telephone or other methods according to the procedures where the members of the Audit Committee who attended the meeting must fully communicate and express their opinions

Article 18 The staff of the Audit and Supervision Department of the Company may be in attendance at the meetings of the Audit Committee. Directors, supervisors, the president and other senior management members of the Company may be invited to be in attendance at such meetings when necessary.

Article 19 If necessary, the Audit Committee may engage intermediary agencies to provide professional advice for its decision-making at the Company's expense.

Article 20 The convening procedures and voting method of the meetings of the Audit Committee and the resolutions passed thereat shall be in compliance with the relevant laws, regulations, the *Articles of Association* and these rules.

Article 21 Minutes shall be made for the meetings of the Audit Committee, bearing signatures of the members present at the meetings. The minutes of the meeting shall be kept by the Secretary to the Board.

Article 22 The findings within the terms of reference of the Audit Committee shall be reported to the Board.

Resolutions and voting results of the meetings of the Audit Committee shall be submitted in written form to the Board for its consideration and decision.

Article 23 All members present at the meeting are obligated to keep confidential the matters considered at the meeting, and shall not disclose the relevant information without authorisation.

Chapter 6 Supplementary Provisions

Article 24 For the purposes of these rules, the reference to "or more" shall include the underlying number.

Article 25 These rules shall come into effect on a trial basis from the date of approval by the Board by way of resolution.

Article 26 The matters not covered by these rules shall be governed by the relevant laws and regulations of the PRC, the *Listing Rules of the Stock Exchange*, the *Articles of Association* and the *Rules of Procedure of the Board of Directors*. In case of any discrepancy between these Rules and any laws and regulations promulgated in the PRC in the future, the *Listing Rules of the Stock Exchange* as revised from time to time or the *Articles of Association* or the *Rules of Procedure of the Board of Directors* amended through legitimate procedures, the latter shall govern and prevail and these rules shall be amended forthwith, subject to consideration and approval by the Board.

Article 27 These rules shall be interpreted by the Board.

Shanghai Pharmaceuticals Holding Co., Ltd.
Board of Directors
21st December, 2023