

**GUANGZHOU BAIYUNSHAN PHARMACEUTICAL
HOLDINGS COMPANY LIMITED
RULES OF PROCEDURES FOR THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS**

(Considered and approved at the 8th meeting of the 9th session of the board of directors of the Company
held on 15 March 2024)

CHAPTER 1 GENERAL RULES

- Article 1** In order to ensure the Company’s development in an ongoing, steady and healthy manner, to further improve the corporate governance structure of the Company, to strengthen the board of directors’ decision making in a scientific manner, raise the standard of efficiency and decision making for significant investments as well as to improve the Company’s financial and accounting standards, Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as the “Company”) has set up an Audit Committee (hereinafter referred to as the “Committee”) under the Board pursuant to the Company Law of the People’s Republic of China, the Corporate Governance Code for Listed Companies, the Articles of Association of the Company, the listing rules applicable to each of the stock exchanges where the securities of the Company are listed (hereinafter referred to as the “Listing Rules”) and other relevant regulations, which shall provide assistance to the board of Directors (hereinafter referred to as the “Board”) by conducting independent review on the efficiency of financial reporting procedure, risk management and internal control system of the Company and formulated these terms of reference (“Terms of Reference”).
- Article 2** The Committee is established by the Board and it is accountable to the Board.
- Article 3** The Company has formulated these rules of procedures in order to make the power, duties and responsibilities of the Committee clear. To enhance the efficiency, reporting standard, transparency and objectivity of the Board, the Committee shall exercise the powers authorized by the Board, discharge its duties report to and advise the Board in accordance with these rules of procedures.

CHAPTER 2 CONSTITUTION

Article 4

The Committee shall comprise at least three non-executive directors, of which more than half of the members must be independent non-executive directors. The members of the Committee shall be appointed by the Board, and shall be directors who do not hold senior management positions within the Company. The former partner of the existing external auditing firm shall be prohibited from acting as a member of the Committee for a period of two years from the date of his ceasing to be the partner of the firm or ceasing to have any financial interest in the firm (whichever is later).

An independent non-executive director member shall be appointed as the chairman of the Committee by the Board. Chairman of the Committee should be a professional accountant.

Article 5

The term of office of the Committee members is 3 years which shall commence and end on the same time as the terms of office of the existing directors. The Committee members are eligible for re-election upon the expiration of their term of office. If any Committee member is no longer a director during the term of office, he/she shall lose the qualification of being a Committee member and the Board shall appoint members to fill the casual vacancies pursuant to Article 4 above.

Article 6

The Committee members shall be entitled to appropriate remuneration to reflect their time committed and responsibilities undertaken while serving the Committee.

Article 7

A secretary to the Committee, who shall be the person in charge or the head of the internal audit department of the Company, shall be appointed in order to assist the communication between the Committee and the Board as well as the related departments of the internal and external audit of the Company and the obtaining of information for the Committee necessary for the fulfillment of their duties.

CHAPTER 3 SCOPE OF POWERS

Article 8

The principal duties of the Committee are:

1. 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, and other matters regarding selection of external auditor authorized by laws and regulations, the Articles of Association and the Board.
2. to supervise and evaluate the work of external auditor, which shall include at least the following aspects:
 - (1) to supervise the external auditor so that the auditor is honest, trustworthy, diligent and responsible, strictly abide by the business rules and industry self-discipline regulations and implement internal control system, verify and validate the financial and accounting reports of the Company, act with due diligence, and prudently give professional opinion;
 - (2) to review and monitor the external auditor's independence and objectivity, and the effectiveness of the audit process in accordance with applicable standards;
 - (3) the Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; discuss and communicate with the external auditor on the audit scope, audit plan, audit methods, and material matters identified in the audit process;
 - (4) to review the explanations on examination of accounts issued by the external auditors and the response of the Company's management; to review the external auditor's management letter (or documents of the same or similar nature), any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
 - (5) to ensure that the Board and the management will provide a timely response to the issues raised in the external auditor's management letter (or documents of the same or similar nature).

3. to supervise and evaluate the internal audit work, which shall include at least the following aspects:
 - (1) to review the annual internal audit plan of the Company and urge the implementation of the internal audit plan; to review the internal audit reports, assess the internal audit results and urge the rectification of significant issues and guide the effective operation of the internal audit department;
 - (2) 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 Committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed;
 - (3) to guide and supervise the establishment and implementation of the internal audit system and the effective operation of the internal audit department. The internal audit department of the Company shall report to the Committee. Various audit reports, rectification plans and rectification progress related to audit matters submitted by the internal audit department to the management shall also be submitted to the Committee;
 - (4) to supervise the internal audit department to inspect the following aspects at least once for every half-year, issue inspection reports and submit to the Committee: (i) the deposit and use of funds raised by the Company; (ii) the major events such as provision of guarantees, connected transactions, securities investment and derivatives transactions, provision of financial assistance, purchase or sale of assets, external investments, etc.; and (iii) transactions involving substantial capital flows and the money transactions with directors, supervisors, senior management, controlling shareholders and de facto controllers and their respective associates;
 - (5) to report to the Board on the progress and quality of internal audit and major problems identified;
 - (6) to coordinate the relationship between the internal audit department and the external auditors such as accounting firms and national auditors.

4. to monitor integrity of the Company's financial statements (including their disclosures), annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
 - (1) any changes in accounting policies and practices;
 - (2) major judgmental areas;
 - (3) significant adjustments resulting from audit;
 - (4) the going concern assumptions and any qualifications;
 - (5) compliance with accounting standards; and
 - (6) compliance with the legal requirements in relation to financial reporting and the listing rules of the stock exchanges where the Company are listed;
5. Regarding 4 above:
 - (1) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
 - (2) the 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;
6. to review the Group's financial and accounting policies and practices;
7. to review the Company's systems on and implementations of, financial control, internal control, internal audit and risk management;

8. to supervise and evaluate the internal control of the Company, which shall include at least the following aspects:
 - (1) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems on risk management, internal control and audit systems, and evaluate the suitability of the design of the Company's internal control 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;
 - (2) to review evaluation of the internal control report; to review the internal control audit report issued by the external auditing organization, to communicate with the external auditor to identify the problems and improvement method and to assess the results of internal control evaluation and audit and to report to the Board and supervise the rectification of internal control deficiencies.
9. 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;
10. to coordinate communication between management, internal audit and external audit and 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;
11. to act as the key representative for overseeing the Company's relations with the external auditor;
12. 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
13. to report to the Board on the matters in paragraph D.3 of Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Corporate Governance Code);
14. to consider other matters set out in Article 26 of Measures for the Administration of Independent Directors of Listed Companies of CSRC;

15. to consider matters prescribed by applicable laws, administrative regulations, the Articles of Association and the listing rules of the place where the Company are listed and other matters authorized by the Board of the Company.

The Committee should report and make recommendations to the Board on any measures or improvements it considers necessary.

Article 9 The Committee is accountable to the Board, and the proposals proposed by the Committee shall be reviewed and decided by the Board.

Article 10 The Committee shall have the power to request a subsidiary or department undergoing audit to provide relevant plans, budget accounts, final accounts, accounting statements, accounting documents, accounting software, contracts and any other relevant documents. The relevant subsidiary or department shall deliver such documents within the prescribed time limit, and must not refuse to provide or withhold or transfer such information or provide false information.

Article 11 The Committee shall have the power to inquire a subsidiary or department or to request supporting documents. The relevant subsidiary and personnel should fully co-operate and provide relevant and accurate information.

Article 12 The Committee should be provided with sufficient resources to perform its duties. With respect to the investigations conducted by the Committee which are within its scope of powers and authorized by the Board, the Committee has the power to engage intermediaries or other independent professionals to provide professional advice and the relevant expenses shall be borne by the Company.

Article 13 The Committee, in discharging its duties, may expand the scope of review of corporate affairs after obtaining the authorization approval from the Board.

Article 14 The secretary to the Committee shall be responsible for the preliminary preparation works prior to any decision-making by the Committees, and shall provide in writing the following information or reports relevant to audit matters, and relevant departments shall cooperate and assist.

1. the related financial statements of the Company and its subsidiaries;
2. report on the work of the internal and external auditors;
3. external auditing contracts and related work reports reports;
4. information disclosure of the Company;
5. material connected transactions of the Company;
6. other relevant matters.

Article 15

After the completion of the annual audit, the Committee shall review and discuss the audit report and the following with the independent auditors, personnel in charge of the internal auditing department, personnel in charge of the financial department and the management before submitting the same to the Board:

- (1) the performance appraisals of external auditors, as well as the appointment and change of the external auditors;
- (2) the appropriateness of the accounting policies adopted by the Company, in relation to the compliance with the prevailing best practice and laws in Hong Kong and Mainland China as well as the changes in accounting policies and practices; and compliance with the accounting standards, the adjustments necessary to be made after the audit, and other related matters including the going concern assumptions;
- (3) whether the Company has effectively implemented the internal auditing policies; and whether the financial reports are complete and true;
- (4) whether the financial reports disclosed to the public by the Company are objective and true;
- (5) whether the material transactions of the Company comply with related laws, regulations and administrative regulations;
- (6) the performance appraisals of the financial departments and the internal auditing departments in the Company, including the personnel in charge of such departments;
- (7) other relevant matters.

Article 16

To review and discuss other non-annual and quarterly disclosures and access whether the information contained in such document is a true, objective and fair reflection of the facts disclosed, or whether it is consistent with those contained in the annual or quarterly financial statements of the Company.

CHAPTER 4 RULES ON MEETINGS

Article 17

The Committee shall hold at least one regular meetings each quarter. The Committee's meeting shall be convened and chaired by the chairman of the Committee, and notice of the meeting shall be dispatched to all the Committee members not less than 3 days before the meeting. Extraordinary meetings may be convened on the proposal of two or more members, or if the convenor deems it necessary. An independent auditor shall also suggest the Committee to convene a meeting if he/she considers as necessary. Members of the Committee shall attend the meeting in person and clearly express their opinions on the matters on agenda. If, for any reason, a member of the Committee is unable to attend a meeting in person, he/she may submit a power of attorney signed by the member to entrust another member to attend the meeting and express opinions on his/her behalf. The power of attorney shall specify the scope of authorization and its term of validity. Each member may accept such entrustment from no more than one member. If, for any reason, a member (independent non-executive director) of the Committee is unable to attend a meeting in person, he/she shall entrust another member (independent nonexecutive director) to attend the meeting on his/her behalf.

Article 18

The chairman of the Committee shall prepare the agenda and assign the secretary to the Committee to prepare for the requisite materials of the meeting. Relevant meeting materials shall be sent in full to the Committee members 3 days before the date of the meeting.

Article 19

The quorum of the meeting shall require the presence of two-third of the Committee's members. Each Committee member has a voting right. Resolutions at any meetings shall be passed by a simple majority of votes of all the members. The relevant matter shall be reviewed directly by the Board when the Committee is unable to give effective resolutions due to the abstaining of its member(s).

Article 20

The Committee may invite the directors, secretary to the Board, financial controller, the personnel responsible for the internal auditing department, personnel responsible for the financial department, independent auditors, legal advisors or any other person to attend the meeting if necessary.

Article 21

The procedures for convening the meetings of the Committee, voting methods and resolutions passed in the meetings shall comply with relevant laws, administrative regulations, the listing rules of the stock exchange where the Company are listed, the Articles of Association of the Company and these rules of procedures.

The methods of voting in the Committee meeting are by a show of hands or by poll.

Article 22 Full minutes of the Committee meeting shall be recorded. The secretary to the Committee is responsible for minutes drafting. The preliminary draft and final draft of the minutes shall be sent to all the Committee members within a reasonable period of time after the meeting. The preliminary draft shall be provided for the Committee members to express their opinions and the final draft shall be used for their records.

The Committee members present at the meeting shall sign the minutes of the meeting. The minutes of the meeting are kept in duplicate for at least 10 years by the Secretariat to the Board of the Company.

Article 23 All the attended Committee members and parties assume a duty of confidentiality to the meeting and shall not disclose the information without authorization.

Article 24 Any member of the Committee who has an interest in any matters on the agenda shall abstain from the meeting.

CHAPTER 5 SUPPLEMENTARY PROVISIONS

Article 25 The relevant documents, proposals, cases, resolutions and minutes (records) of the Committee shall be kept for at least of 10 years by the Secretariat to the Board of the Company. The resolutions and minutes (records) should be signed by the Committee members who attended the meetings.

Article 26 These rules of procedures shall come into effect and be implemented from the date when it was passed on the Board meeting.

Article 27 Any matters not covered by these rules of procedures shall be implemented in accordance with the provisions of the relevant laws and administrative regulations of the PRC, the listing rules of the stock exchange where the Company is listed and the Articles of Association of the Company. Should these rules of procedures conflict with the laws and regulations of the State coming into effect after the Rules Effective Date or the Listing Rules or the Articles of Association amended after the Rules Effective Date through lawful procedures and implemented subsequently, the State laws and regulations, the Listing Rules and the Articles of Association of the Company as amended after the Rules Effective Date shall prevail, and these rules of procedures shall be revised immediately and the revision shall be reported to the Board for consideration and approval.

Article 28 The powers to interpret these rules of procedures rest with the Board.