Fujian Haixi Pharmaceuticals Co., Ltd.

Terms of Reference of the Audit Committee of the Board of Directors of the Company

Chapter I General Provisions

Article 1 To oversee the accounting and financial reporting procedures of Fujian Haixi Pharmaceuticals Co., Ltd. (hereinafter referred to as the "**Company**"), the audit committee (hereinafter referred to as the "**Audit Committee**") of the board of directors (hereinafter referred to as the "**Board**") of the Company has been established with these terms of reference in accordance with the Company Law of the People's Republic of China (hereinafter referred to as the "**Company Law**"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**Listing Rules**"), the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, the Articles of Association of the Company (hereinafter referred to as the "**Articles of Association**") and other relevant applicable laws, regulations and regulatory requirements.

Article 2 The duties of the Audit Committee are limited to supervision. The Company's management is responsible for the establishment, review and maintenance of financial and accounting policies, practices and procedures, and the preparation of the Company's financial statements of the Company in accordance with generally accepted accounting standards and other applicable reporting and disclosure standards.

Chapter II Composition

Article 3 The Audit Committee shall consist of at least three (inclusive) directors.

Article 4 The Audit Committee shall solely comprise non-executive directors, the majority of whom shall be independent non-executive directors, including at least one independent non-executive director who possesses appropriate professional qualifications as required by relevant laws and regulations and the Listing Rules, or possesses appropriate expertise in accounting or related financial management.

Article 5 The Audit Committee shall have a chairman (convenor) (hereinafter referred to as the "**Chairman**"), who shall be a member of the Audit Committee and appointed by the Board of Directors, and the Chairman shall preside over the work of the Audit Committee. The Chairman must be an independent non-executive director. The secretary of the Audit Committee shall be the secretary of the Company or any other person as may be designated by the Audit Committee from time to time.

Article 6 A former partner of the Company's existing external auditing firm that is engaged to audit the Company's accounts shall be prohibited from serving as a member of the Audit Committee for a period of two (2) years commencing from the later of the date on which the individual ceased: (1) to be a partner of such external audit firm; or (2) to hold any financial interest in such external audit firm.

Article 7 The term of office of the Audit Committee shall be aligned with that of the Board of Directors. Members of the Audit Committee may be re-elected upon expiry of their term. If any member ceases to serve as a director of the Company prior to expiry of his/her term, he/she shall automatically cease to be a member of the Audit Committee and the Board of Directors shall fill any consequential vacancy in accordance with Article 4 to Article 6 above.

Chapter III Duties and Authorities

Article 8 The main duties and authorities of the Audit Committee are as follows:

(1) to recommend the appointment and change of external auditors;

(2) to supervise the internal audit system of the Company and its implementation;

(3) to facilitate communication between internal and external auditors;

(4) to review the Company's financial information and its disclosures;

(5) to review the Company's internal control system and audit significant connected transactions;

(6) to investigate any matters falling within its terms of reference;

(7) to request any information it deems necessary from employees, all of whom are required to cooperate with any such request made by the Committee;

(8) to obtain external legal or other independent professional advice at the Company's expense;

(9) to ensure the attendance of any individual with relevant experience and expertise at the meeting of Audit Committee as it considers appropriate; and

(10) other matters authorized by the Board of Directors of the Company.

Article 9 The duties of the Audit Committee in supervising and evaluating the work of external auditors shall at least include the following:

(1) to be primarily responsible for making recommendations to the Board of Directors on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any matters relating to the resignation or dismissal of the external auditors;

(2) to review and monitor the independence and objectivity of the external auditors and the effectiveness of the audit procedures in accordance with applicable standards. The Audit Committee shall discuss with the auditors the nature and scope of the audit and reporting obligations prior to the commencement of the audit;

(3) to develop and implement policies governing the engagement of external auditors for non-audit services. For this purpose, "external auditor" includes any entity under common control, ownership or management with the audit firm, or any entity that a third party with reasonable knowledge of all relevant information would reasonably consider part of the audit firm's domestic or international operations; and

(4) to report to the Board of Directors and make recommendations on any matters requiring action or improvement.

Article 10 The duties of the Audit Committee in reviewing the Company's financial reports and expressing opinions thereon shall at least include the following:

(1) to monitor the integrity of the Company's financial statements and annual reports and accounts, interim reports and (if prepared for publication) quarterly reports, and review the significant financial reporting judgements contained therein. When reviewing such reports prior to their submission to the Board of Directors, the Audit Committee shall pay particular attention to (a) any changes in accounting policies and practices; (b) key areas of judgement; (c) significant adjustments arising from the audit; (d) the going concern assumption and any qualified opinions; (e) compliance with accounting standards; and (f) compliance with the Listing Rules and legal requirements relating to financial reporting; and

(2) for the purposes of paragraph (1) above, (a) members of the Audit Committee shall liaise with the Board of Directors and the Company's senior management and the Audit Committee shall meet at least twice annually with the Company's external auditors; and (b) the Audit Committee shall consider any material or unusual matters that are, or may need to be, reflected in the report and accounts, it shall 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.

Article 11 The duties of the Audit Committee in overseeing the Company's financial reporting system, risk management, and internal control systems shall at least include the following:

(1) to review the Company's financial controls, and unless expressly addressed by a separate risk committee established by the Board, or by the Board of Directors itself, to review the Company's risk management and internal control systems;

(2) to discuss the risk management and internal control systems with management to ensure that management has fulfilled its responsibility to establish effective systems. This discussion shall include an assessment of the adequacy of resources, staff qualifications and experience in the accounting and financial reporting functions, and the adequacy of staff training programs and budgets;

(3) to consider major findings from investigations into risk management and internal control matters as delegated by the Board of Directors or on its own initiative and management's response to such findings;

(4) to ensure that the work of internal and external auditors is coordinated; that the internal audit function is adequately resourced and holds an appropriate status within the Company; and to review and monitor its effectiveness;

(5) to review the Group's financial and accounting policies and practices;

(6) to review the external auditor's management letter, any significant queries raised by the auditor to management concerning accounting records, financial accounts or control systems, and the management's responses thereto;

(7) to ensure the Board of Directors responds promptly to issues raised in the external auditors' letter to management;

(8) to report to the Board of Directors on matters under Appendix C1 of the Listing Rules;

(9) to review the Company's arrangements whereby employees can confidentially raise concerns about possible irregularities in financial reporting, internal controls, or other matters. The Audit Committee shall ensure that appropriate arrangements are in place to allow the Company to conduct fair and independent investigations into such matters and take appropriate follow-up actions;

(10) to act as the key representative body for overseeing the Company's relationship with the external auditors;

(11) where the Board of Directors disagrees with the Audit Committee's recommendation on the selection, appointment, resignation or dismissal of the external auditor, the Company shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and the Board of Directors' reasons for its dissenting view;

(12) to study other matters as defined by the Board of Directors.

Article 12 The Audit Committee shall establish a whistleblowing policy and system to enable employees and those who deal with the Company to confidentially report to the Audit Committee any suspected misconduct in relation to any matter relating to the Company.

Article 13 The Audit Committee shall establish policies and systems that promote compliance with anti-corruption laws and regulations.

Chapter IV Rules of Procedure

Article 14 The Audit Committee shall meet at least twice annually. The Company's external auditors may request a meeting if deemed necessary. The chief financial officer and a representative of the Company's external auditors are generally required to attend meetings of the Audit Committee. However, the Audit Committee shall meet with the external and internal auditors at least once a year without the presence of the executive directors.

Article 15 All members shall be given at least three days' notice prior to a meeting. Meetings shall be convened and presided over by the Chairman. If the Chairman is unable or unavailable to perform he/her duties, he/she may authorize another member (who must be an independent non-executive director) to perform the duties. Where an urgent meeting has to be convened, notice may be given in writing, by telephone, communication or other means.

Article 16 A meeting of the Audit Committee may only be held if more than half of the members are present. Each member shall have one vote, and resolutions made at the meeting must be approved by a majority of all Audit Committee members.

Article 17 Audit Committee members shall clearly express their views on matters under discussion. If a member is unable to attend a meeting of the Audit Committee in person, he/she may authorize another member to vote on his/her behalf in writing, in accordance with their opinion.

The power of attorney must specify the name of the proxy, subject matter, the authority, and the validity period, and must be signed by the principal. When attending a meeting, the proxy shall present the power of attorney and exercise rights within the scope of the authorization.

Article 18 A member of the Audit Committee who fails to attend two consecutive meetings either in person or by proxy shall be deemed unable to perform his/her duties, and the Audit Committee shall propose to the Board of Directors that such member be removed.

Article 19 In principle, meetings of Audit Committee shall be held on-site. However, they may be conducted by correspondence or in the form of written resolutions, provided that members are able to fully express their opinions and that such arrangements comply with relevant regulatory requirements.

Article 20 Voting at meetings of Audit Committee shall be conducted by a show of hands or by poll.

Article 21 When necessary, the Audit Committee may invite directors, supervisors and senior management of the Company who are not members of the Audit Committee to attend its meeting.

Article 22 A member shall abstain from discussions regarding any issue related to such member at a meeting of the Audit Committee. Such meetings of the Audit Committee may be held with the attendance of a majority of the non-affiliated members, and resolutions made at the meetings must be approved by a majority of the non-affiliated members. If the number of non-affiliated members present at the meeting is less than one-half of the total number of non-affiliated members of the Audit Committee, the matter shall be submitted to the Board for consideration.

Article 23 Minutes of meetings of the Audit Committee shall be properly recorded. Minutes shall be prepared by the Board of Directors and shall include the following:

(1) method, date and location of the meeting, and the name of the person presiding;

(2) details of attendance at meetings, absences, and attendance by proxy;

(3) names and positions of persons attending the meeting;

(4) the agenda of the meeting;

(5) the key points raised by members and relevant attendees; and

(6) the name of the person taking the minutes.

The members present at the meeting shall sign the minutes of the meeting of the Audit Committee. The minutes shall be maintained by the secretary to the Board of Directors of the Company for a period of not less than ten years.

Article 24 Resolutions passed and voting results at the meetings of the Audit Committee shall be reported to the Board of Directors in writing. The Audit Committee shall report its decisions or recommendations to the Board of Directors unless restricted by legal or regulatory requirements (e.g. disclosure restrictions due to regulatory requirements).

Article 25 Audit Committee members and attendees are obliged to keep confidential the matters discussed at meetings of the Audit Committee and shall not disclose relevant information without authorization.

Chapter V Supplementary Provisions

Article 26 These terms of reference have been reviewed and approved by the Board and will take effect and be implemented starting from the date on which the Company's overseas listed foreign shares (H shares) are listed and commence trading on The Stock Exchange of Hong Kong Limited. Upon the effective date of these terms of reference, the previous terms of reference will automatically become invalid.

Article 27 In case of any inconsistency between the Chinese and English versions of these terms of reference, the Chinese version shall prevail.

Article 28 Matters not covered by these terms of reference shall be governed by relevant laws and regulations, the Hong Kong Listing Rules, other regulations of the Hong Kong securities regulatory authorities, and the relevant provisions of the Articles of Association shall prevail. In the event that any relevant provisions of these terms of reference conflict with relevant laws and regulations, the Hong Kong Listing Rules, other regulations of the Hong Kong securities regulatory authorities, or the Articles of Association, as promulgated or amended from time to time, such provisions shall prevail in accordance with the relevant laws and regulations, the Hong Kong Listing Rules, other regulations of the Hong Kong securities regulatory authorities, the current Articles of Association, or any amended Articles of Association.

Article 29 These terms of reference are subject to revision and interpretation by the Board.