

# **Jiangxi Institute of Biological Products Inc.**

## **Terms of Reference of the Audit Committee under the Board of Directors**

### **CHAPTER I GENERAL PROVISIONS**

**Article 1** To enhance the decision-making capabilities of the Board of Directors of Jiangxi Institute of Biological Products Inc. (hereinafter referred to as the “**Company**”), achieve comprehensive auditing throughout the pre-event, in-process, and post-event stages as well as specialized auditing, ensure effective supervision of the management by the Board of Directors, and improve the corporate governance structure, the Board of Directors hereby establishes the Audit Committee under the Board of Directors and formulates the Terms of Reference of the Audit Committee under the Board of Jiangxi Institute of Biological Products Inc. (hereinafter referred to as the “**Terms of Reference**”), in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “**Company Law**”), the Articles of Association of Jiangxi Institute of Biological Products Inc. (hereinafter referred to as the “**Articles of Association**”), the regulatory rules of the places where the Company’s shares are listed (including the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Hong Kong Listing Rules**”)), and other relevant laws, regulations, and normative documents.

**Article 2** The Audit Committee under the Board of Directors is a specialized working body established by the Board of Directors. The Audit Committee is accountable to the Board of Directors and submits its proposals to the Board of Directors for consideration and determination. The Audit Committee shall report its decisions or recommendations to the Board of Directors, except where prohibited by the national laws, regulations, or regulatory restrictions.

### **CHAPTER 2 COMPOSITION**

**Article 3** The Audit Committee shall comprise a minimum of three Directors, all of whom must be non-executive Directors with a majority being independent non-executive Directors. At least one member shall be an independent non-executive Director who possesses the appropriate professional qualifications as stipulated under Rule 3.10(2) of the Hong Kong Listing Rules, or appropriate accounting or relevant financial management expertise. The Chairperson (Convener) of the Audit Committee shall be an independent non-executive Director with professional accounting qualifications.

**Article 4** The members of the Audit Committee (hereinafter referred to as the “**Members**”) shall be elected by the Board of Directors.

The Members shall be nominated by the Chairperson of the Board of Directors, or by more than one-third of all Directors, or by no less than half of the independent non-executive Directors, and shall be elected by a majority vote of the Board of Directors. Upon approval of the proposal for such election, the new appointed member shall commence his term of office immediately after the conclusion of the Board meeting. The Members of the Audit Committee shall meet the requirements stipulated by relevant laws, regulations, the regulatory rules of the places where the Company's shares are listed (including the Hong Kong Listing Rules), and the Articles of Association.

The former partner of the Company's current external auditor shall not serve as a member of the Audit Committee within two years from following dates, whichever is the later:

- (I) The date on which the former partner ceased to be a partner of the external auditor;
- (II) The date on which the former partner no longer has any financial interest in the external auditor.

**Article 5** The Audit Committee shall have one Chairperson (Convener), who shall be an independent non-executive Director possessing the appropriate professional qualifications as stipulated in Rule 3.10(2) of the Hong Kong Listing Rules, or having appropriate accounting or relevant financial management expertise. The Chairperson (Convener) shall be responsible for presiding over the Committee's work. The Chairperson (Convener) shall be elected within the Audit Committee and shall be appointed subject to the approval of the Board of Directors.

**Article 6** The term of office of the Audit Committee shall be consistent with that of the same term of the Board of Directors. Each member shall be eligible for re-election upon completion of his term of office. During his term of office, if any member of the Audit Committee ceases to be a Director, or any committee member as an independent non-executive Director loses his independence as required under the Company Law, the Articles of Association and the regulatory rules of the places where the Company's shares are listed (including the Hong Kong Listing Rules), his membership in the committee shall lapse automatically, and the position(s) vacated by such member(s) shall be filled by the Board of Directors according to the Terms of Reference.

**Article 7** The member of the Audit Committee may resign before the completion of the term of his office, and shall submit a written resignation report to the Board of Directors, the resignation report cannot take effect unless approved by the Board of Directors. If the number of members of the Committee is less than the quorum required by the Terms of Reference, the original members shall perform related duties in accordance with the Terms of Reference before the member elected through by-election takes office.

## CHAPTER 3 DUTIES AND AUTHORITIES

**Article 8** The main duties of the Audit Committee include reviewing and supervising the Company's financial reporting, risk management and internal control systems, assisting the Board of Directors in performing its audit duties, and exercising the functions and powers of the Supervisory Committee as stipulated under the Company Law. The Audit Committee should be provided with sufficient resources to perform its duties. The main duties and authority of the Audit Committee shall be as follows:

(I) Relationship with the Company's external auditor

- (1) to be primarily 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 issues related to its resignation or dismissal; Where the Company engages, reappoints or replaces its external auditor, the Audit Committee shall form a review opinion and recommend it to the Board of Directors as a prelude for the latter's consideration and review;
- (2) to review and monitor the independence and objectiveness of the external auditor and the effectiveness of its audit procedures in accordance with applicable standards; the Audit Committee shall discuss with the auditors the nature, scope, and reporting obligations before the audit commences; in assessing the independence of the external auditors, to consider all relationships (including non-audit services) between the Company and the auditor and to obtain from the external auditor its policies and procedures on annual basis for maintaining its independence so as to monitor its compliance (including rotation of audit partners and members) and to communicate with the auditors on their audit fees, issues identified during the audit and other matters they wish to communicate at least once a year in the absence of management;
- (3) to develop and implement policy on engaging an external auditor for 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. When assessing the non-audit services provided by an external auditor, the Company shall consider the appropriateness of the auditor's qualifications and capabilities, the impact of the services on the independence and objectivity of the auditor, the details and fees of the services and the significance of the services to the auditor, and the remuneration of relevant individuals. The Audit Committee shall report and make recommendations to the Board of Directors on actions to be taken or improvement shall be made;

(II) Review of the Company's financial information and disclosure

- (4) to monitor integrity of the Company's financial statements and annual report and accounts, interim report and, if prepared for publication, quarterly reports, and to review significant judgements on financial reporting contained therein. In reviewing these reports before submission to the Board of Directors, the committee shall focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) significant judgments;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards;
  - (vi) compliance with the Hong Kong Listing Rules and legal provisions in relation to financial reporting;
  - (vii) matters resulting in non-standard unqualified audit reports;
- (5) regarding (4) above:
  - (i) members of the Audit Committee shall liaise with the Board of Directors and senior management. The Audit Committee shall hold meeting with auditor of the Company at least twice a year; and
  - (ii) the Audit Committee shall consider any significant or unusual items 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 and compliance officer of the Company or the external auditor;

(III) Oversight of the Company's financial reporting/auditing system and its implementation, risk management and internal control systems

- (6) to review the regime of financial controls of the Company, and review the risk management and the internal control system of the Company;
- (7) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

- (8) to consider major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board of Directors and the feedback to these findings from the management;
- (9) to review the Company's internal audit function to ensure coordination 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;
- (10) to review the financial and accounting policies and practices of the Group;
- (11) to review the audit explanatory letter issued by the external auditor to management, any material inquiries on accounting records, financial accounts or systems of control raised by the auditor to management as well as the feedback from management;
- (12) to ensure that the Board of Directors promptly provide a response to the matters raised in the external auditor's audit explanatory letter to management;
- (IV) Exercise the powers and functions of the Supervisory Committee as prescribed by the Company Law
  - (13) to supervise the Directors and senior management in their performance of their duties and to propose the removal of Directors and senior management who have violated the laws, administrative regulations, the Articles of Association or the resolutions of the general meetings;
  - (14) to demand rectification from a Director or senior management when the acts of such persons are detrimental to the interests of the Company;
  - (15) to propose the convening of extraordinary general meetings and to summon and preside over general meetings when the Board of Directors fails to perform the duty of summoning and presiding over general meetings under the Company Law;
  - (16) to submit proposals to the general meeting;
  - (17) to initiate proceedings against Directors and senior management in accordance with the Article 189 of the Company Law;
- (V) Others
  - (18) to report to the Board of Directors on matters relating to the code provisions under the Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules;
  - (19) to consider other topics as defined by the Board of Directors;

- (20) to review the following arrangements made by the Company that its employees may use, in confidence, to raise concerns about potential improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (21) to act as the principal representative between the Company and the external auditor, being responsible for monitoring the relationship between the two parties;
- (22) to communicate with the external auditor on significant matters when necessary;
- (23) to review the Company's internal control systems;
- (24) to review and evaluate the Company's material connected (related) transactions;
- (25) matters stipulated in laws, administrative regulations, departmental rules, regulatory documents, the listing rules of the places where the Company's shares are listed (including the relevant provisions of the Hong Kong Listing Rules), and the Articles of Association that require handling by the Audit Committee, as well as any other powers and functions granted by the Board of Directors;
- (26) to complete any other tasks assigned by the Board of Directors.

#### **CHAPTER 4 DECISION-MAKING PROCEDURES**

**Article 9** The internal audit and relevant finance departments of the Company shall be responsible for providing the following written information of the Company to the Audit Committee:

- (I) relevant financial reports;
- (II) material internal audit reports and audit reports issued by the external auditors;
- (III) contracts with the external auditors, special audit reports, and related audit reports;
- (IV) the Company's quarterly financial reports (if prepared for publication), interim financial report and annual financial report and relevant provisional reports;
- (V) audit reports on major connected (related) transactions of the Company;
- (VI) other relevant matters.

**Article 10** The written material mentioned in Article 9 shall be reviewed at the meeting of the Audit Committee and the relevant resolutions shall be formed in writing and submitted to the Board for discussion:

- (I) evaluation on the performance of, and engagement and replacement of, the external auditors;
- (II) the effectiveness of the implementation of the internal audit system of the Company and the completeness and truthfulness of the financial reports of the Company;
- (III) the objectiveness and truthfulness of the financial information disclosed publicly by the Company, and the compliance with the relevant laws and regulations of the major connected (related) transactions of the Company;
- (IV) evaluation on the performance of the audit department of the Company, including persons in charge;
- (V) other relevant matters.

**Article 11** The following matters shall be submitted to the Board for consideration after the approval by a majority of all members of the Audit Committee:

- (I) disclosure of financial information in financial accounting reports and periodic reports, and internal control evaluation reports;
- (II) appointment or dismissal of the audit firms that undertake the Company's auditing business;
- (III) appointment or dismissal of the Company's chief financial officer;
- (IV) changes in accounting policies, accounting estimates or correction of material accounting errors for reasons other than changes in accounting standards;
- (V) other matters stipulated by laws, administrative regulations, regulatory rules of the places where the Company's shares are listed and the Articles of Association.

## **CHAPTER 5 RULES OF PROCEDURE**

**Article 12** The meeting of the Audit Committee shall convene at least once every quarter. Meetings of the Audit Committee shall be convened and presided over by the Chairperson of the Audit Committee. A meeting of the Audit Committee shall be convened prior to the publication of the Company's interim financial report and annual financial report, and all members shall be notified at least three days in advance of the meeting. In the event that the Chairperson of the Audit Committee is unable to attend, he may delegate another member to chair the meeting. Upon unanimous agreement of all members, the aforementioned notice period may be waived.

In the event of any of the following circumstances, a member of the Audit Committee may propose to convene an extraordinary meeting, and the Chairperson of the Audit Committee shall convene such a meeting within 10 days after receiving the proposal:

- (I) When the Board of Directors deems it necessary;
- (II) When the Chairperson of the Audit Committee deems it necessary;
- (III) Upon proposal by more than two members.

**Article 13** The meeting of the Audit Committee shall be held only with the attendance of two-thirds or more of its members. Each member shall have one vote. Resolutions made at the meeting must be passed by more than half of all the members.

**Article 14** Votes shall be taken by a show of hands or by poll at the meetings of the Audit Committee, and an extraordinary meeting may be convened via correspondence, provided that members are able to fully express their views.

**Article 15** The secretary of the Board of Directors shall attend the meetings of the Audit Committee. Other Directors and senior management members of the Company may be invited to attend the meetings when necessary. Non-members of the Audit Committee shall have no voting rights on the proposals of the meeting.

**Article 16** Members and attendees of the Audit Committee meetings shall maintain confidentiality of undisclosed information and shall not use insider information for their own benefit or the benefit of others.

**Article 17** Meetings of the Audit Committee shall be attended by members in person. If a member is unable to attend, they may authorize another member in writing to attend on their behalf. If any Member does not attend a meeting of the Audit Committee in person or authorize another representative to attend such meeting on his behalf, nor does he submit any opinion in writing prior to the meeting, such Member shall be deemed to have waived his right to vote at such meeting.

**Article 18** The Audit Committee may engage intermediaries to provide professional advice for its decision-making when necessary, with the costs borne by at the Company.

**Article 19** The procedures of convening a meeting, voting methods and resolutions passed at a meeting of the Audit Committee shall comply with relevant laws, administrative regulations, departmental rules, normative documents, the regulatory rules of the places where the Company's shares are listed (including the Hong Kong Listing Rules), the Articles of Association and the Terms of Reference.

**Article 20** The Audit Committee meetings shall have meeting minutes or memoranda. The members present at the meeting and the meeting recorder shall sign the meeting minutes or memoranda. The minutes shall include detailed records of matters and resolutions considered, including any concerns or objections raised by Directors. The

complete meeting minutes of the Audit Committee shall be maintained by the Board Secretary. Draft and final versions of the minutes of the meeting shall be circulated to all Audit Committee members within a reasonable time after the meeting for comments and record. The Directors of the Company may access the meeting minutes at reasonable times upon providing reasonable notice. The retention period shall be no less than 10 years.

**Article 21** The resolutions passed and the poll results in the Audit Committee's meeting shall be reported in writing to the Board of the Company.

**Article 22** When a member of the Audit Committee or an attendee of the meeting has an interest of conflict, directly or indirectly, in respect of any matter discussed at the meeting, such member or attendee shall abstain from voting on the relevant proposals.

## **CHAPTER VI SUPPLEMENTARY PROVISIONS**

**Article 23** The requirements of the Company Law, the regulatory rules of the place where the shares of the Company are listed (including the Hong Kong Listing Rules) and the Articles of Association relating to obligations of Directors are applicable to the members of the Audit Committee.

**Article 24** In the Terms of Reference, "more than" includes the figures listed; "less than" and "no less than" exclude the figures listed.

**Article 25** In the event of any matter not expressly provided for in the Terms of Reference, or where any provision herein is inconsistent with applicable national laws, administrative regulations, normative documents, the regulatory rules of the places where the Company's shares are listed (including the Hong Kong Listing Rules), or the Articles of Association as duly amended through lawful procedures, the relevant provisions of such laws, administrative regulations, normative documents, the regulatory rules of the places where the Company's shares are listed (including the Hong Kong Listing Rules), and the Articles of Association shall prevail, and the rules of procedure shall be promptly amended.

**Article 26** The right to interpret the Terms of Reference shall vest in the Board of Directors of the Company.

**Article 27** Unless otherwise provided or required by the context, the terms used herein shall have the same meanings as those in the Articles of Association.

**Article 28** The Terms of Reference shall come into force and be implemented from the date of the Company's initial public offering of H shares and listing on the Main Board of The Stock Exchange of Hong Kong Limited upon the approval of the Board of Directors.

Jiangxi Institute of Biological Products Inc.