

# GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS COMPANY LIMITED

## RULES OF PROCEDURES FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS (Considered and approved at the 30th meeting of the 9th session of the board of directors of the Company held on 28 October 2025)

### CHAPTER 1 GENERAL RULES

**Article 1** In order to ensure the development of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as the “**Company**”) and its subsidiaries (hereinafter referred to as the “**Group**”)’s in an ongoing, steady and healthy manner, to further improve the corporate governance structure of the Company, to further improve the Company’s corporate governance structure, strengthen the scientific nature of the Board’s decision-making, and improve the level of the Company’s financial and accounting work, 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 “**Company Law**”), the Corporate Governance Code for Listed Companies, the Articles of Association of the Company, the Articles of Association of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “**Articles of Association**”), and other laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company’s shares are listed. The Committee shall assist the the board of Directors (hereinafter referred to as the “**Board**”) by independently reviewing the efficiency of the Company’s financial reporting procedures, risk management, and internal control system, and shall formulate these Terms of Reference (“**Rules of Procedures**”).

**Article 2** The Committee is established by the Board and is accountable to the Board.

**Article 3** The Company has formulated these Rules of Procedures in order to clarify the powers and duties of the Committee. The Committee shall, based on these Rules of Procedures, exercise the powers delegated by the Board, perform its duties, report to the Board, and provide recommendations to enhance the Board’s efficiency, reporting quality, transparency, and objectivity.

### CHAPTER 2 CONSTITUTION

**Article 4** The Committee shall comprise at least three non-executive directors, of whom more than half must be independent non-executive directors, and at least one independent director shall be a professional accountant. 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, and employee representative directors of the Board may become members of the Audit Committee. A former partner of the current external audit firm shall not serve as a member of the Committee within two years from the later of the date he ceases to be a partner of the firm or ceases to have any financial interest in the firm.

An independent non-executive director 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 and the start and end dates shall coincide with the term of office of the current 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 Committee shall, pursuant to the Company Law, the relevant regulations of the securities supervisory and regulatory authorities or securities exchanges where the Company is listed and the relevant provisions of the Articles of Association, exercise the following powers:

1. Responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the annual audit fees 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, administrative regulations, relevant regulations of the securities supervisory and regulatory authorities or securities exchanges where the Company is listed, 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), and 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);
  - (6) to develop and implement a 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 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 supervise the implementation of the internal audit plan; to review the internal audit reports, assess the internal audit results and supervise the rectification of significant issues and guide the effective operation of the internal audit department;
  - (2) 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. All audit reports, rectification plans, and rectification progress related to audit matters submitted by the internal audit department to management shall also be submitted to the Committee. Where the internal audit department discovers any material issues or clues in the Company, it shall report directly to the Committee immediately;

- (3) 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, senior management, controlling shareholders and de facto controllers and their respective associates;

The Committee shall issue a written assessment opinion on the effectiveness of the Company's internal control based on the internal audit reports and related materials submitted by the internal audit department and report it to the Board;

- (4) to report to the Board on the progress and quality of internal audit and major problems identified;
  - (5) to coordinate the relationship between the internal audit department and the external auditors such as accounting firms and national auditors;
  - (6) to participate in the performance appraisal of the person in charge of internal audit.
4. To inspect the Company's finance, to review the Group's financial and accounting policies and practices, to investigate the Company's property status, to verify the Company's financial and accounting information and other information relating to its business management activities, to review the financial reports verified by certified public accountants or signed by the chairman and general manager, and to verify the authenticity and legality of the financial reports and capital operation reports; 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 laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed in relation to financial reporting.

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 supervise the Company's financial and accounting affairs, to exercise supervision over the Company's major business activities, to supervise and evaluate the Company's business operation and the preservation and appreciation of assets; to review the Company's systems on and implementations of, financial control, internal control, internal audit and risk management; if abnormal business operations are discovered, investigations may be conducted; where necessary, it may engage accounting firms, law firms and other professional organizations to assist in its work, and the reasonable expenses incurred therefrom shall be borne by the Company.
7. 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 establish 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.
8. 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.
9. 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.

10. To act as the key representative for overseeing the Company's relations with the external auditor.
11. To review arrangements employees of the Company can, in confidence, 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.
12. To report to the Board on the matters set out 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).
13. To propose to convene an extraordinary shareholders' meeting and notify the Board in writing, while reporting the same to the securities exchange where the Company is listed; and to convene and preside over the shareholders' meeting when the Board fails to fulfill its duties of convening and presiding over the shareholders' meeting as prescribed in the Company Law.
14. To submit proposals to the shareholders' meeting.
15. To supervise the conduct of directors and senior management in performing their duties in the Company, and to make recommendations for the removal of directors and senior management who violate laws, administrative regulations, relevant regulations of the securities supervisory and regulatory authorities or securities exchanges where the Company is listed, the Articles of Association or resolutions of the shareholders' meeting;
16. To require rectification when the conduct of directors and senior management damages the interests of the Company.
17. To initiate litigation against directors and senior management in accordance with Article 189 of the Company Law;
18. Matters prescribed by laws, administrative regulations, relevant regulations of the securities supervisory and regulatory authorities or securities exchanges where the Company is listed, the Articles of Association and other matters authorized by the Board of the Company.

The Committee shall submit its review opinions on matters within the scope of its duties to the Board of the Company. Where the Board does not adopt such opinions, the Company shall disclose such matter and provide full explanations.

**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 following matters shall be submitted to the Board for consideration after obtaining the consent of more than half of all members of the Committee:

- (1) Disclosure of financial information in financial and accounting reports and periodic reports, and internal control evaluation reports;
- (2) Engagement or dismissal of the accounting firm undertaking the Company's audit business;
- (3) Appointment or dismissal of the Company's financial controller;
- (4) Changes in accounting policies and accounting estimates or corrections of material accounting errors for reasons other than changes in accounting standards;
- (5) Other matters prescribed by laws, administrative regulations, relevant regulations of the securities supervisory and regulatory authorities or securities exchanges where the Company is listed, and the Articles of Association.

**Article 11** 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, withhold, transfer, or provide false information.

**Article 12** The Committee shall have the power to inquire of a subsidiary or department and to request supporting documents. The relevant subsidiary and personnel should fully co-operate and provide relevant and accurate information.

**Article 13** 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 14** The Committee, in discharging its duties, may expand the scope of review of corporate affairs after obtaining the authorization approval from the Board.

**Article 15** 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 16** 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 replacement 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 audit 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 connected transactions of the Company comply with the provisions of the relevant laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed;
- (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 17** 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.

**Article 18** When the Committee communicates with external audit units such as accounting firms and national auditing institutions, the internal audit department shall actively cooperate and provide necessary support and assistance.

## **CHAPTER 4 RULES ON MEETINGS**

**Article 19** The Committee shall hold at least one regular meeting each quarter. Extraordinary meetings may be convened on the proposal of two or more members, or if the chairman of the Committee deems it necessary. An independent auditor shall also suggest the Committee to convene a meeting if he/she considers it necessary. 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 three days before the regular meeting or extraordinary meeting. If the chairman of the Committee is unable or unwilling to perform his/her duties, the meeting shall be chaired by an independent director jointly elected by more than half of the Committee members. In case of emergency where a temporary meeting needs to be convened as soon as possible, notice of the meeting may be given at any time by telephone or other verbal means without being subject to the aforesaid time limit, provided that the convenor shall give explanations at the meeting.

Members of the Committee shall attend the meeting in person and clearly express their opinions on the matters on the 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 20** The chairman of the Committee shall prepare the agenda and assign the secretary to the Committee to prepare 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 21** The quorum of the meeting shall require the presence of two-thirds 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 because one or more Committee members abstain.

**Article 22** The Committee may invite the directors, secretary to the Board, financial controller, the head or person in charge of the internal audit department, the head or person in charge of the financial department, independent auditors, legal advisors or any other person to attend the meeting if necessary.

**Article 23** The procedures for convening the meetings of the Committee, voting methods and resolutions passed in the meetings shall comply with relevant laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed, the Articles of Association and these Rules of Procedures.

Voting in the Committee meeting shall be conducted by voting in person at the meeting, by correspondence, or in writing.

**Article 24** Minutes of the Committee meetings shall be kept. The secretary to the Committee shall be responsible for recording the minutes. The meeting minutes shall make sufficiently detailed records of the matters considered at the meeting and the decisions reached, which shall include any concerns raised or objections expressed by members. 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 minutes of the meeting are kept in duplicate.

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

**Article 27** 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 28** These Rules of Procedures shall come into effect and be implemented from the date when it was passed on the Board meeting.

**Article 29** Any matters not covered by these Rules of Procedures shall be implemented in accordance with the provisions of the relevant laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and the Articles of Association. Should these Rules of Procedures conflict with the laws and administrative regulations of the State coming into effect after the Rules Effective Date or the relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and the Articles of Association amended after the Rules Effective Date through lawful procedures and implemented subsequently, the State laws, administrative regulations, relevant regulations of the securities regulatory authorities or stock exchanges in the places where the Company's shares are listed and the Articles of Association 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 30** All references to "more than", "at least" in these Rules of Procedures shall be inclusive of the stated figure; all references to "over" shall be exclusive of the stated figure.

**Article 31** The powers to interpret these Rules of Procedures rest with the Board.