

Shandong Xinhua Pharmaceutical Co., Ltd.

(a joint stock company established in the
People's Republic of China with limited liability)

(Stock Code: 00719)

(the “**Company**”)

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

(These terms of reference have been prepared in both Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.)

Approved by the Board of Directors (the “**Board**”) of the Company on 1 July 1999 and last amended and adopted on 31 December 2025.

Chapter 1 - General Provisions

- Article 1.** The Company shall establish the Audit Committee (the “**Audit Committee**”) under the Board.
- Article 2.** The terms of reference of the Audit Committee shall be in accordance with the Company Law of the People's Republic of China (the “**PRC**”), the Code of Governance for Listed Companies (PRC), the Measures for the Administration of Independent Directors of Listed Companies (PRC), the Articles of Association, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and other relevant provisions. The Audit Committee shall exercise the authorities of the supervisory board that are to be exercised by the Audit Committee as prescribed by the Company Law.
- Article 3.** In these terms of reference, “**Directors**” means directors of the Board of the Company, and “**Senior Management**” means the General Manager and Deputy General Manager(s), Secretary of the Board and other senior management appointed by the Board upon recommendation of the General Manager.

Chapter 2 - Members

- Article 4.** The Audit Committee shall consist of at least three independent non-executive Directors (“**INED(s)**”) with INEDs accounting for the majority, at least one INED on the Audit Committee must be an accounting professional and possess the “appropriate professional qualifications or accounting or

related financial management expertise” as required under the Listing Rules.

The accounting professionals referred to in this Article shall possess rich professional accounting knowledge and experience, and meet at least one of the following conditions:

- (1) possess a Certified Public Accountant qualification;
- (2) possess a senior professional title, title as associate professor or above, or doctoral degree in accounting, auditing, or financial management;
- (3) possess a senior professional title in economic management and possess more than five years of full-time work experience in accounting, auditing, or financial management or related professions.

Article 5. The convenor of the Audit Committee shall be an accounting professional among the INEDs, be responsible for providing leadership of the work of the Audit Committee and shall be appointed by the Company’s Board.

Article 6. A former partner of the Company’s existing auditing firm from time to time should not act as a member of the Audit Committee for a period of two years commencing on the date of his ceasing (a) to be a partner of the firm or (b) to have any financial interest in the firm, whichever is the later.

Article 7. The convenor of the Audit Committee shall:

- (1) convene and chair Audit Committee meetings;
- (2) review and sign important documents of the Audit Committee;
- (3) review the implementation status of resolutions of the Audit Committee;
- (4) on behalf of the Audit Committee report to the Board its work; and
- (5) carry out other duties undertaken by a convenor of the Audit Committee.

Article 8. The term of office of a member of the Audit Committee shall be the same as that of the term of office of a Director of the Board. A member of the Audit Committee whose term of office ends may hold a consecutive term upon re-election. During the term, if a member is no longer a Director of the Company, such member will automatically be disqualified from office as a member of the Audit Committee and the Board shall elect qualified Directors to fill the vacancy according to Articles 4, 5 and 6 of these terms of reference. Before the Board fills the vacancy(ies) in the number of Audit Committee members in a timely manner, the incumbent members shall continue to perform their relevant duties.

Article 9. Members of the Audit Committee shall be Directors who do not hold Senior Management positions in the Company and shall:

- (1) be familiar with the operation and management of the Company and the relevant laws and

regulations applicable to the Company;

- (2) act in good faith, be honest, self-disciplined and devoted to his duties, and work proactively to safeguard the interests and rights of the Company and its shareholders; and
- (3) have appropriate and relevant knowledge, expertise and experience in the business, financial and/or accounting sector.

Article 10. The administration office of the Audit Committee shall be the administration office of the Board. The administration office of the Board shall be responsible for the day-to-day affairs of Audit Committee.

Article 11. The Board may provide appropriate remuneration to members of the Audit Committee based on the member's time contribution and responsibilities.

Chapter 3 - Meetings

Article 12. The Audit Committee shall hold meetings at least once per quarter. An ad hoc meeting may be convened when proposed by two or more members, or when the chairman deems it necessary, or when the Company's external auditors consider it necessary.

Article 13. The convenor of the Audit Committee shall act as chairman of a meeting. In the absence of the convenor of the Audit Committee, the remaining members of the Audit Committee present shall elect one of themselves who is an INED to chair the meeting.

Article 14. The meeting time, venue and proposed major items on the agenda shall be sent by facsimile, courier or registered post or hand delivery to members of the Audit Committee seven days in advance of such meeting. In the case of any particularly urgent matters, notice should be given two days in advance.

Article 15. A meeting of the Audit Committee can only be held if more than two-thirds of the members are present.

Article 16. Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.

Article 17. Resolutions of the Audit Committee shall be passed by more than half of the votes cast. Each member of the Audit Committee shall have one vote when voting on its resolutions. The resolutions of the Audit Committee shall be recorded in minutes taken in accordance with the regulations, and the members of the Audit Committee attending the meeting shall sign on the minutes.

Article 18. A resolution in writing signed by all the members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

Article 19. Secretary of the Board shall act as secretary of the Audit Committee, and in the absence of the secretary of the Board, members of the Audit Committee or his/her nominee shall elect one person to temporarily act as the secretary.

Article 20. Meeting materials including the minutes of the meetings of the Audit Committee shall be kept by the secretary of the Board for at least ten years. Minutes shall record matters considered and decisions reached by the members of the Audit Committee in detail, including any doubt or disagreement raised by members of the Audit Committee. Draft and final versions of minutes of the Audit Committee meetings should be sent to all members of the Audit Committee for their comment and records respectively within a reasonable time after the meeting.

Article 21. Secretary of the Audit Committee shall circulate the minutes of meetings and reports of the Audit Committee to all members of the Board.

Chapter 4 - Attendance at meetings

Article 22. Financial controller, head of the audit department of the Company and representatives of domestic and international external auditors shall normally attend meetings of the Audit Committee, and other members of the Board shall also have the right to be present. However, the Audit Committee shall meet at least once a year with the domestic and international external auditors of the Company without the executive Director(s) of the Board present.

Chapter 5 - Authority

Article 23. The Audit Committee is authorised by the Board to conduct any investigation of activities within its scope of powers. In the discharge of its duties as set out below, the Audit Committee is authorised to seek any information it requires from any employee of the Audit Company and its subsidiaries (if applicable) and all such employees are directed to co-operate with any request made by the Audit Committee.

Article 24. The Audit Committee is authorised by the Board, at the Company's expense, to appoint legal or other independent professional advisers or consultants with relevant experience and expertise to assist the Audit Committee in the discharge of its duties set out in these terms, and to secure the attendance of such professional advisers or consultants at its meetings if it considers it necessary.

Article 25. The Audit Committee is authorised to require management of the Company to provide it with such resources as may be necessary for it to discharge its duties as set out in these terms.

Article 26. The Audit Committee should be provided with sufficient resources to perform its duties.

Article 27. The Audit Committee is authorised to review any arrangement which may raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters.

Chapter 6 - Responsibility

Article 28. The Audit Committee is to serve as a focal point for communication between other Directors of the Company, the external auditors and the internal auditor (where an internal audit function exists in the Company), as regards their duties relating to financial and other reporting, risk management and internal controls, external and internal audits and such other matters as the Board determines from time to time.

Article 29. The Audit Committee is to assist the Board in providing an independent review and supervision of financial reporting and risk management, by satisfying themselves as to the effectiveness of the internal controls of the Company, and as to the adequacy of the external and internal audits.

Chapter 7 - Duties, Powers and Functions

Article 30. The duties of the Audit Committee include the following:

I. Supervision and review of financial reporting

- (a) The Audit Committee shall monitor the integrity, accuracy and transparency of the Company's financial statements and annual reports and accounts and half-year report, review significant financial reporting judgments contained in them, and review whether the representations made in the Directors' report are appropriate.
- (b) In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:-
 - (i) the consistency of and any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit. The Audit Committee should also review and investigate the issue requiring such adjustments and whether further adjustments are required;
 - (iv) the going concern assumptions and any qualifications;
 - (v) the disclosure in respect of extraordinary items during the year to ensure that such disclosure in the accounts are fair and not misleading and that such extraordinary items are given appropriate attention in the financial statements. Any material item which is infrequent may be deemed extraordinary, such as sale or purchase of assets, contingent liability, or litigation;
 - (vi) compliance with generally accepted accounting standards in Hong Kong and the PRC (in particular, consideration should be given to the scope of non-conformity of the Company's policy with Hong Kong and PRC accounting practice principles and reasons for any deviation);
 - (vii) compliance with the Listing Rules and legal requirements in relation to financial reporting;
 - (viii) consistencies amongst the various financial statements;
 - (ix) consistencies of the financial statements with those submitted to the tax authorities or other regulatory bodies; and

- (x) whether the Directors' report and letter from the chairman truly reflect the Company's results and such results are consistent with the status of what is reflected in the various statements.

(c) With regard to (a) above:

- (i) members of the Audit Committee should liaise with the Board and Senior Management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
- (ii) the Audit 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;

II. *Oversight of the Company's financial reporting system, risk management and internal control systems*

The Audit Committee shall:

- (a) review the effectiveness of the Company's and its subsidiaries' risk management and internal control systems (at least annually), the scope of the review should cover all material controls, including financial (unless expressly addressed by a separate Board risk committee or by the Board itself), operational and compliance controls, and should, in particular, consider:
 - (i) the statement from the Board: (i) acknowledging its responsibility for the Company's risk management and internal control systems; and (ii) confirming that the Company's risk management and internal control systems are appropriate and effective for the purposes set out in the Corporate Governance Code under the Listing Rules, and continuously consider the scope and quality of management's ongoing monitoring of risks (including environmental, social, and governance risks) and of the internal control systems;
 - (ii) the main features of the risk management and internal control systems, including the process used to identify, evaluate and manage significant risks; the extent and frequency of communication of monitoring results to the Board (or Board committee(s)); and the procedures for the timely, accurate and complete disclosure of discloseable information (including inside information and any other information required to prevent a false market);
 - (iii) any significant changes during the reporting period in (i) the Company's assessment of risks (including environmental, social and governance risks) and (ii) the risk management and internal control systems, including the changes, since the last annual review, in the nature and extent of significant risks and the Company's ability to respond to changes in its business and the external environment;
 - (iv) whether the Company has an internal audit function. If the Company does not have an internal audit function, the Company should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in

- the Corporate Governance Report. An internal audit function generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems;
- (v) the responsibilities, process and frequency of internal departments (such as the internal audit function, if any) and external providers of reviewing the effectiveness of the Company's risk management and internal control systems; and the effectiveness of the Company's processes for disclosure of financial reports to the Board and Listing Rule compliance;
 - (vi) information supporting the Board's conclusion that the risk management and internal control systems are appropriate and effective, including any confirmations received (as applicable) from: management, the relevant Board committee(s) responsible for the Company's risk management and internal controls, the internal audit function, the Company's independent auditors, and/or other external providers;
 - (vii) scope of the review and details of review findings, including any significant control failings or weaknesses identified (or that were previously reported but remain unresolved), and the extent to which they have resulted in unforeseen outcomes or contingencies, and any remedial steps taken or proposed to be taken;
 - (viii) review on whether the Company continuously monitors the scope and quality of risk management (including environmental, social, and governance risks) and internal control systems, and the work of the internal audit function and other assurance providers (if applicable), and assess whether the internal and external resources (including expertise, training, budget, and resources related to environmental, social, and governance reporting) used for designing, implementing and monitoring the risk management and internal control systems, and these findings should also be disclosed;
 - (ix) whether the Company has established a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns about possible improprieties regarding potential misconduct in financial reporting, internal controls, or other areas anonymously with the Audit Committee (or any designated committee comprising a majority of INEDs). The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
 - (x) whether the Company has established policy(ies) and system(s) that promote and support anti-corruption laws and regulations.
- (b) review the draft representation letter prior to approval by the Board;
 - (c) discuss the risk management and internal control systems with management to ensure that management has performed its duty to implement effective 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;
 - (d) 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;

- (e) where an internal audit function exists, 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 review and monitor its effectiveness;
- (f) review the Company's financial and accounting policies and practices and consider whether they are appropriate;
- (g) review the management letters of the international and domestic external auditors, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
- (h) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (i) apprise the Board of significant developments in the course of performing the above duties;
- (j) consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the response of the Company's management into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations;
- (k) recommend to the Board any appropriate extensions to, or changes, in the duties of the Audit Committee;
- (l) discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- (m) 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 Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (n) review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (o) report to the Board on the above matters; and
- (p) consider and carry out other matters, as by the Board may delegate from time to time.

III. Oversight of the Company's relationship with the external auditor

The Audit Committee shall act as the key representative body for overseeing the Company's relations with the external auditors. It shall:

- (a) be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors (both international and domestic auditors), and approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
- (b) to review with the Company's management, external auditors and internal auditor, where an internal audit function exists in the Company, the adequacy of the Company's policies and system regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the Directors to be included in the annual accounts prior to endorsement by the Board;
- (c) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with both the international and domestic auditors the nature and scope of the audit and reporting obligations before the audit commences to ensure coordination of the respective work of the auditors; the Audit Committee should understand the factors considered by the external auditors in determining their audit scope. If more than one audit firm is involved, the Audit Committee should ensure coordination between the audit firms. The external audit fees are to be negotiated by management of the Company, and presented to the Audit Committee for review and approval annually;
- (d) formulate and implement policies on engaging an external auditors to supply non-audit services. For this purpose, "external auditors" 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (e) to seek from the external auditors, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff; and
- (f) to evaluate the cooperation received by the external auditors, including their access to all requested records, data and information; obtain the comments of management of the Company regarding the responsiveness of the external auditors to the Company's needs; inquire of the external auditors as to whether there have been any disagreements with management of the Company which if not satisfactorily resolved would result in the issue of a qualified report on the Company's financial statements.

IV. Making recommendations for the appointment and dismissal of the chief financial officer of the

Company

The Audit Committee shall:

- (a) conduct checks on the qualifications of the candidate(s) for the chief financial officer of the Company, make recommendations to the Board on the selection of such candidate(s) nominated for the chief financial officer of the Company; and
- (b) make recommendations to the Board regarding the appointment , reappointment or dismissal of the chief financial officer of the Company, and succession planning for the chief financial officer of the Company.

V. Oversight of the conduct of Directors, General Managers, and other Senior Management

- (a) supervising the performance of duties by Directors, General Managers, and other Senior Management, and proposing the dismissal of Directors or Senior Management who violate laws, administrative regulations, these terms of reference, or resolutions of the shareholders' general meeting;
- (b) when the actions of Directors, General Managers, and other Senior Management pose harm to the interests of the Company, request that the Directors and Senior Management rectify their conduct;
- (c) take legal action against Directors, General Managers, and other Senior Management in accordance with the relevant provisions of the Company Law of the PRC.

VI. The rights to propose the convening of an extraordinary general meeting and submit proposals to the shareholders' general meeting

- (a) propose the convening of an extraordinary general meeting. If the Board fails to perform its duties of convening and presiding over the shareholders' general meeting as stipulated by the Company Law of the PRC, the Audit Committee shall convene and preside over the shareholders' general meeting;
- (b) submit proposals to the shareholders' general meeting.

VII. Effecting changes in accounting policies, revisions of accounting estimates, or corrections of material accounting errors due to reasons other than changes in accounting standards

VIII. Other authorities of the supervisory board that are to be exercised by the Audit Committee as prescribed by the Company Law

IX. Other authorities prescribed by laws, administrative regulations, the regulations of the China Securities Regulatory Commission, and the Company's Articles of Association

Article 31. The Audit Committee shall be responsible for reviewing the Company's financial information and its disclosures, overseeing and evaluating internal and external audit work and internal controls. The following matters must be approved by a majority of all members of the Audit Committee before being submitted to the Board for deliberation:

- (1) appointment or dismissal of the accounting firm engaged to conduct the Company's audit;
- (2) appointment or dismissal of the chief financial officer;
- (3) disclosure of financial accounting reports, financial information in periodic reports, and internal control evaluation reports;

- (4) changes in accounting policies, revisions of accounting estimates, or corrections of material accounting errors due to reasons other than changes in accounting standards;
- (5) other matters prescribed by laws, administrative regulations, the regulations of the China Securities Regulatory Commission, and the Company's Articles of Association.

Chapter 8 - Reporting

- Article 32.** The Audit Committee shall report directly to the Board at least twice every year and submit to the Board its work report at least once a year, the contents of the report should include (but not limited to), how it met its responsibilities in its review of the quarterly, half-yearly and annual results, its review of the risk management and internal control systems, the effectiveness of the Company's internal audit function, and its other duties under the Corporate Governance Code; details of non-compliance with rule 3.21 (if any); how it met its responsibilities in its review of the risk management and internal control systems and the effectiveness of the Company's internal audit function.
- Article 33.** Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- Article 34.** The convenor of the Audit Committee should attend the Company's annual general meeting to answer shareholders' questions on the Audit Committee's activities.

Chapter 9 - Supplementary Provisions

- Article 35.** The terms of reference of the Audit Committee will be posted on the website of the Company and the website of The Stock Exchange of Hong Kong Limited and other media or websites where disclosure of information is required.
- Article 36.** In the event of any conflict between these terms of reference and the laws, administrative regulations, normative documents, or securities regulatory rules of the jurisdiction where the Company's shares are listed as may be promulgated from time to time, the provisions of such laws, administrative regulations, normative documents, and securities regulatory rules of the jurisdiction where the Company's shares are listed shall prevail.
- Article 37.** These terms of reference of the Audit Committee shall be established, amended, and interpreted by the Board, and shall take effect from the date of approval by the Board.