

# CanSino Biologics Inc.

## 康希諾生物股份公司

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD

*(Adopted by the Board on June 22, 2018 and amended pursuant to the Board resolutions on October 11, 2019 and March 25, 2022, respectively)*

#### CHAPTER 1 GENERAL PROVISIONS

**Article 1** To boost the decision-making capability of the board of directors (the “**Board**”) of CanSino Biologics Inc. (the “**Company**”), continually enhance the formation of the Company’s internal control system, ensure the Board’s effective control and continually enhance the Company’s corporate governance, in accordance with laws, regulations and normative documents including the Company Law of the People’s Republic of China (the “**Company law**”), the Rules Governing the Listing of Securities on the Sci-Tech Innovation Board of the Shanghai Stock Exchange (the “**Sci-Tech Innovation Board Listing Rules**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), A Guide for Effective Audit Committees published by the Hong Kong Institute of Certified Public Accountants and the currently applicable Articles of Association of CanSino Biologics Inc. (the “**Articles of Association**”), the Company has established the Audit Committee of the Board (the “**Committee**”) and formulated these Terms of Reference for the Audit Committee of the Board of CanSino Biologics Inc. (the “**Terms of Reference**”) according to the practical situations of the Company. Should there be discrepancy, inconsistency or conflict between the Articles of Association, Sci-Tech Innovation Board Listing Rules, Hong Kong Listing Rules or any applicable laws, regulations and relevant provisions, and these Terms of Reference, the most stringent provisions shall prevail and be applied strictly.

**Article 2** The Committee is a specific working group established by the Board of the Company, and is mainly responsible for the communication between the Company and external audit firms, supervision and verification of external audit, monitoring of internal audit, assessment and enhancement of the internal control systems of the Company, and risk assessment in respect of, among others, significant investments of the Company which are in progress.

#### CHAPTER 2 COMPOSITION OF COMMITTEE

**Article 3** The Committee shall comprise at least three directors and the total number of members shall be an odd number. All members of the Committee shall be non-executive directors and the majority of the members of the Committee shall be independent non-executive directors.

The Committee shall comprise at least one member who is an independent non-executive director of the Company with appropriate professional qualifications or accounting or related financial management expertise as required under the Sci-Tech Innovation Board Listing Rules and the Hong Kong Listing Rules.

A former partner of the external audit firm currently responsible for auditing the Company’s accounts shall be prohibited from serving as member of the Committee for a period of two years since the date on which he ceases to be a partner of the audit firm or to have any financial interest in the external audit firm, whichever is later.

**Article 4** Members of the Committee shall be nominated by the Chairman of the Board or the Nomination Committee of the Board, and shall be elected by more than half of the total number of directors of the Board. Upon approval of the nomination proposal by the Board, a newly-appointed member shall commence his term of office immediately after the conclusion of the meeting of the Board.

**Article 5** The Committee shall have a convener, or chairman, who shall be an independent non-executive director. The chairman of the Committee appointed by the Board shall be accounting professional and shall oversee the operation of the Committee. Where the chairman of the Committee is unable to or fails to fulfill the duty, an independent non-executive director shall be elected by at least one half of the members of the Committee to act in his stead.

**Article 6** The term of office of the Committee shall be consistent with that of the Board. Each member of the Committee shall be eligible for re-election upon completion of his term of office. During his term of office, if any committee member ceases to be a director, or any committee member as an independent non-executive director loses his independence as required under the Articles of Association, the Sci-Tech Innovation Board Listing Rules and the Hong Kong Listing Rules, his membership in the Committee shall lapse automatically. A member of the Committee may submit his resignation report in writing to the Board prior to the expiry of his term of office to resign from his existing position. The resignation report shall contain such reasons for resignation and matters which need attention of the Board as necessary. Upon the loss of qualification or permission to resign, the position(s) vacated by such member(s) shall be filled by the Board according to the relevant laws, regulations, normative documents and provisions of Articles 3 to 5 in the above. A member of the Committee shall not, before the expiry of his term of office, be relieved of his duties without cause except for the situations specified in the Company Law, the Articles of Association, the Sci-Tech Innovation Board Listing Rules or the Hong Kong Listing Rules.

### **CHAPTER 3 DUTIES AND AUTHORITIES**

**Article 7** The specific duties of the Committee include:

- (1) to review annually the performance of the external audit firm, submit a summary of the audit work conducted by the external audit firm during the year to the Board, and make proposals to the Board in respect of the appointment, re-appointment or dismissal of the external audit firm as well as the remuneration for auditing service, terms of engagement etc., and deal with matters related to the resignation or dismissal of external audit firm;
- (2) to act as the Company's representative in liaising with the external audit firm, communicate between the Company's internal audit department and external audit firm, including evaluation and examination of the independence and objectivity of the independent auditors and the effectiveness of the auditing procedures in accordance with applicable standards; and, before the commencement of any audit work, discuss with the external audit firm about the nature, scope and method of audit and the related reporting obligations, and discuss with it to fix the timing of auditing the financial report of the year, as well as oversee the external audit firm's timely submission of audit report within the predetermined timelines and so forth;

- (3) to, on an as-needed basis, formulate and implement policy on the provision of non-audit services by external audit firm. The Committee shall report to the Board such actions or improvements as it deems necessary and make recommendations;

For this purpose, “external audit firm” includes any entity that is under common control, ownership or management with the external audit firm engaged by the Company or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the external audit firm nationally or internationally. The Committee shall identify any matters in respect of which it considers that actions or improvements are needed, report them to the Board and make recommendations on possible measures to be taken;

- (4) To monitor completeness, accuracy and fairness of the quarterly (if any), interim and annual financial statements of the Company to be submitted to the Board and review significant financial reporting opinions contained in them. Prior to submitting the relevant statements and reports to the Board, the review shall focus particularly on the following: any changes in accounting policies and estimates during the reporting period; any issue involving significant judgment; such significant adjustments, if any, to be made as shall be requested by the independent auditor upon completion of audit; the going concern assumptions and any qualifications; whether the accounting treatments are in compliance with accounting standards and provisions relating to financial reporting under the Company Law, the Sci-Tech Innovation Board Listing Rules, the Hong Kong Listing Rules and other applicable laws and regulations;

Regarding the above items that shall draw particular focus in the reviewing process, the Committee shall communicate with the Board and senior management as well as the internal and external auditor in a timely manner. Members of the Committee shall meet with the independent auditor at least twice a year. They shall consider material or irregular matters reflected or required to be reflected in such reports and accounts, and shall give due consideration to matters raised by the Company’s accounting and finance department, compliance officer or auditor.

- (5) To discuss the questions raised by the independent auditor upon its completion of reviewing the interim accounts and of auditing the annual accounts of the Company;
- (6) To examine the financial policies, internal audit system, internal control system and risk management system of the Company and provide opinions and recommendations for improvements, and also:
1. examine the Company’s financial and accounting policies and practices and any relevant changes;
  2. monitor the process of compiling the regular financial reports (quarterly reports, if any, interim financial reports and annual financial reports), and examine the relevant information including the regular financial reports and financial results announcements;

3. discuss with the management and assess the effectiveness of the internal control systems, to ensure that the management has performed its duties in establishing effective internal control systems; discussions shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
  4. consider major investigation findings on internal control matters and management's response to these findings on its own initiative or as delegated by the Board;
  5. ensure co-ordination between the audit department and external audit firm, and to ensure that the internal audit department is adequately resourced and has appropriate authorities and standing within the Group, and to review and monitor its effectiveness;
  6. review the independent auditor's letter of examination or proposals to management, any material queries raised by the independent auditor about accounting records, financial accounts or systems of control, and management's response;
  7. ensure the Board's timely provision of response to the issues raised in the independent auditor's letter of examination or proposals to management;
  8. supervise the work of the internal audit department, and provide opinions and recommendations on the appraisal and change of persons in charge of the internal audit department;
  9. monitor against any possible improprieties in financial reporting, internal control or other matters;
  10. report matters related to the above to the Board, and consider such other matters as arranged by the Board.
- (7) The Committee shall establish relevant procedures and ensure the impartial and independent investigation and resolution of the following matters:
1. To receive and handle complaints about the Company's accounting, internal control or auditing, and ensure its confidentiality;
  2. To receive and handle the complaints or anonymous whistle-blowing by employees concerning the irregularities in the Company's accounting, auditing, internal control or any possible improprieties in other aspects, and ensure its confidentiality.

- (8) To advise on the Company's environmental, social and governance strategies and to identify significant risks and opportunities regarding environmental, social and governance:
  1. To identify major environmental, social and governance topics and determine the risks and opportunities brought to the Company by significant environmental, social and governance issues;
  2. To advise and conduct regular review on the Company's environmental, social and governance strategies for the Board's approval; and
  3. To set goals based on corresponding strategies and conduct regular supervision and review on the progress of the implementation of such goals;
- (9) To approve and review the policies regarding environmental, social and governance matters:
  1. To review policies regarding environmental, social and governance matters;
  2. To review and supervise the policies relating to significant environmental, social and governance issues, and ensure such policies are applicable to the Company; and
- (10) Reviewing the Company's public available annual environmental, social and governance report, including but not limited to the annual environmental, social and governance report and/or corporate social responsibility report, to ensure that the relevant reports have fully disclosed the risks involved in environmental, social and governance of the Company, the measures taken and the progress towards the goals, as well as that such reports meet relevant disclosure requirements and are all in compliance with the relevant listing rules and other applicable laws and regulations, and recommending the Board to approve the environmental, social and governance report.
- (11) To complete other tasks assigned by the Board;
- (12) To discharge other duties imposed by regulatory bodies where the Company's shares are listed.

The senior management and relevant departments of the Company shall be cooperative and supportive to the Committee and shall take the initiatives in providing relevant information. The finance department shall regularly and faithfully provide financial and accounting information including financial reports and capital operation reports to the Committee and report on a timely manner, significant business operating activities. The environmental, social and governance working group set up internally by the Company should provide materials related to environmental, social and governance to the Committee. The above departments/working group should cooperate with the Committee in its work, and listen to the recommendations provided and requests made by the Committee.

**Article 8** The Committee is accountable to the Board. Its proposals shall be submitted to the Board regularly for the Board's consideration and decision. The Committee shall cooperate with the supervisory committee in the supervision and auditing conducted by the supervisory committee.

**Article 9** The chairman of the Committee is primarily authorized to:

- (1) convene and preside over meetings of the Committee;
- (2) oversee the daily operation of the Committee;
- (3) review and sign the reports and other important documents of the Committee;
- (4) check the implementation of the resolutions and proposals of the Committee;
- (5) report to the Board on behalf of the Committee;
- (6) such other duties as shall be performed by the chairman of the Committee.

#### **CHAPTER 4 WORKING PROCEDURES**

**Article 10** The Audit Department, which is in charge of internal audit of the Company, is under the direct supervision of the Committee and is the day-to-day working group of the Committee relation to the audit issues. The environmental, social and governance working group, which is in charge of environmental, social and governance matters within the Company, is under the direct supervision of the Committee and is the day-to-day working group of the Committee relation to environmental, social and governance matters.

**Article 11** The Audit Department and the environmental, social and governance working group are in charge of the preliminary preparation for the decision-making of the Committee. It provides the following written materials of the Company:

- (1) relevant financial reports of the Company;
- (2) work reports of the internal and external auditors, respectively;
- (3) external audit contracts and related work reports;
- (4) agreements governing related/connected transactions, audit report on significant related/connected transactions and feedback on investigating related/connected persons of the Company;
- (5) financial and statutory information related to significant investments;
- (6) relevant work reports on the Company's internal control systems and their implementation;
- (7) annual environmental, social and governance report and/or corporate social responsibility report;
- (8) other relevant information.

The Committee performs the primary duties under Article 7 based on the information provided by its day-to-day working group.

**Article 12** Manners of working of the Committee:

- (1) During its meetings, the Committee discusses the work plans for proceeding with internal audit and environmental, social and governance work plan, listens to the work report made by the Company's department and the environmental, social and governance working group, comment on the reports submitted by the Audit Department and the environmental, social and governance working group, review the Company's quarterly reports (if any), interim reports, and annual financial reports, annual environmental, social and governance report and/or corporate social responsibility report. The Committee may reach its decisions on the basis of the expert opinions expressed by professional firms, and shall submit matters to the Board for its consideration and decision, which mainly include:
  1. the appointment and replacement of the external audit firm;
  2. whether the internal audit system has been effectively implemented and whether the financial report is true and complete;
  3. whether disclosure of information including financial reports is true and objective, and whether significant related/connected transactions of the Company are in compliance with relevant laws and regulations and disclosure requirements;
  4. assessment of the finance department of the Company and the respective persons in charge;
  5. environmental, social and governance matters subject to the discussion by the Board as required by the relevant listing rules and other applicable laws and regulations;
  6. other relevant matters;
- (2) The Committee shall comply with the following Terms of Reference and procedures in the preparation of annual financial reports and disclosures of the Company to:
  1. discuss with the independent auditor which is responsible for auditing the financial report of that year (the "**Annual Audit CPA**"), in a timely manner after the end of that financial year, to determine the timing for conducting audit in respect of that financial year;
  2. procure the submission by the Annual Audit CPA of its audit report within the predetermined time limit;
  3. review the financial statements prepared by the Company before the Annual Audit CPA commences its work;
  4. review the financial statements of the Company after the Annual Audit CPA has issued its preliminary audit opinion;

5. convene meetings of the Committee for reviewing the financial report, make proposals concerning the re-appointment or replacement of the Annual Audit CPA for the forthcoming year, and conclude the performance of the Annual Audit CPA firm for the current year, so that to compile a report thereon.

## **CHAPTER 5 RULES OF PROCEDURES**

**Article 13** Meetings of the Committee include regular meetings and extraordinary meetings.

Regular meetings of the Committee shall be held at least twice annually, and shall be convened before the regular meeting of the Board of the Company, for discussing the opinions and recommendations to be submitted to the Board.

The chairman of the Committee may convene extraordinary meetings of the Committee on his own initiatives or at the request of the independent auditor or internal auditor. An extraordinary meeting of the Committee may also be convened by the proposal of at least half of the number of members of the Committee or the recommendation of the Chairman of the Board.

**Article 14** The Committee shall hold meetings upon convening by the chairman of the Committee. Notice of meeting, signed by the chairman of the Committee, and materials for meeting shall be delivered to all members of the Committee three days prior to convening the meeting. Upon unanimous consent of all members of the Committee, the requirement on such prior notice period may be exempted.

**Article 15** A notice shall be given to all members seven days prior to the date of the meeting of the Committee. The Committee shall be presided over by the chairman of the Committee. The chairman of the Committee may, when unable to attend the meeting, authorize another committee member who is an independent non-executive director to preside over the meeting. The interim meeting shall not be subject to the above notice time limit.

**Article 16** The quorum for meetings of the Committee is at least two thirds of the total number of members of the Committee. Members who cannot attend a meeting may authorize, in writing, other members to attend and vote on his behalf. The form of proxy, containing the name of the proxy, the matters delegated, the scope of authorization and the validity period of such authorization, and signed or stamped by the appointer, shall be submitted to the president of the meeting no later than the time when voting takes place in the meeting.

Resolutions proposed at a meeting shall be passed by the affirmative votes of more than half of the members of the Committee. The respective resolution or opinion shall be signed by members who attend such meeting of the Committee. Each member of the Committee shall have one vote. Voting decisions include "For", "Against" and "Abstention". Where the respective votes for and against a resolution are equal in number, the chairman of the Committee shall be entitled to have a casting vote.

**Article 17** Meetings of the Committee may be in such appropriate forms as physical meetings held on site, telephone conference, video conference, circulation of documents, fax, mail etc.

**Article 18** The person-in-charge of the Audit Department may attend a meeting of the Committee as an observer. Where necessary, a director, supervisor and senior management may be invited to attend a meeting of the Committee as an observer.

**Article 19** The budget of expenses of the Committee is included as part of the budget of the Company. In performing its duties, the Committee may, where necessary, engage professionals including lawyers, certified public accountants, and certified auditors etc. to provide professional opinions on its decision-making. Reasonable expenses incurred therefrom shall be borne by the Company.

**Article 20** The convening procedures, voting method and passing of resolutions of the meetings of the Committee shall be in compliance with relevant laws and regulations, the Articles of Association and these Terms of Reference.

**Article 21** Detailed and complete minutes of meetings of the Committee held on site shall be prepared, on which members present at the meeting shall sign. Minutes of meetings of the Committee shall be kept by the secretary to the Board. Draft and final versions of minutes of meetings of the Committee shall be circulated to all members of the Committee for their comment and record purpose respectively, in both cases within a reasonable time after the meeting. Upon signing by members of the Committee who were present at the meeting, the minutes shall be submitted to all members of the Board for circulation.

**Article 22** Members attending meetings of the Committee, and those attending as observers, shall owe a duty of confidentiality as regards matters discussed during such meetings. No disclosure of such information shall be allowed, save as is otherwise stipulated under relevant laws, regulations and/or rules of regulatory bodies.

## **CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Article 23** “At least” and “within” as referred in these Terms of Reference include the number, and the words “more than” does not include the number itself.

**Article 24** These Terms of Reference have been approved by the Board upon consideration and shall become effective from the date on which the shares of the Company are traded on the Sci-Tech Innovation Board of the Shanghai Stock Exchange. Any amendment or interpretation of these Terms of Reference shall be done by the Board.

**Article 25** Any matters not covered herein shall be implemented in accordance with the relevant laws and regulations, relevant regulatory provisions of the place(s) where the shares of the Company are listed, such as the Sci-Tech Innovation Board Listing Rules, the Hong Kong Listing Rules and the Articles of Association. Where these Terms of Reference conflict with any relevant laws and regulations, relevant regulatory provisions of the place(s) where the shares of the Company are listed including the Sci-Tech Innovation Board Listing Rules, the Hong Kong Listing Rules, or the Articles of Association, such relevant laws and regulations, relevant regulatory provisions of the place(s) where the shares of the Company are listed including the Sci-Tech Innovation Board Listing Rules, the Hong Kong Listing Rules, and the Articles of Association shall prevail.

*Note:* If there is any inconsistency between the English and Chinese versions of these terms of reference, the Chinese version shall prevail.