



SHANGHAI JUNSHI BIOSCIENCES CO., LTD.*

上海君實生物醫藥科技股份有限公司

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

(Stock code: 1877)

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS****

CHAPTER 1 GENERAL PROVISIONS

Article 1 These terms of reference (these “**Terms**”) are established by Shanghai Junshi Biosciences Co., Ltd.* (上海君實生物醫藥科技股份有限公司) (the “**Company**”) for the audit committee (the “**Committee**”) under its board of directors (the “**Board**”) in accordance with the relevant requirements of relevant laws, regulations and regulatory documents such as the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on the STAR Market of the Shanghai Stock Exchange (the “**STAR Market Listing Rules**”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), the Articles of Association of the Company (the “**Articles of Association**”) and the Rules of Procedure of the Board of Directors of the Company in order to boost the decision-making capacity of the Board, continuously improve the internal control system of the Company, ensure the Board’s effective supervision and management of the management and constantly improve the corporate governance structure.

Article 2 The Committee is a body specifically set up by the Board in accordance with the Articles of Association, the STAR Market Listing Rules and the Hong Kong Listing Rules, and is mainly responsible for the communication between the Company and the external auditors, the supervision and examination of the external auditors, monitoring internal audit, the assessment and optimization of the internal control system of the Company, and the risk analysis of, among others, major investments projects being operated by the Company, and performs other duties in accordance with the requirements of the Listing Rules.

CHAPTER 2 COMPOSITION

- Article 3** The Committee shall comprise of more than three (inclusive) non-executive directors, of which the majority shall be independent non-executive directors, and at least one independent non-executive director who is an accounting professional.
- Article 4** Members of the Committee shall either be nominated by the chairman of the Board, at least one-third of the members of the Board or the nomination committee under the Board, and shall be elected by the Board by more than half of all directors. If there is only one independent non-executive director who is an accounting professional, he/she will be elected automatically. All members of the Committee shall possess the professional knowledge and business experience enabling them to perform the duties of the Committee.
- Article 5** The Committee shall have one chairman (convener), who shall be an independent non-executive director and an accounting professional, and shall be responsible for presiding over the work of the Committee. The chairman shall be internally elected by the members of the Committee. The chairman (convener) of the Committee shall possess the professional experience in accounting or financial management.
- Article 6** A former partner of the accounting firm which is responsible for auditing the Company's accounts shall not act as a member of the Committee within two years from the following date (whichever is later):
- (1) the date of ceasing to be a partner of the accounting firm; or
 - (2) the date of ceasing to have any financial interest in the accounting firm.
- Article 7** The term of office of the Committee shall correspond to the term of office of the Board. Members of the Committee may serve consecutive terms if re-elected. In the event that during the term a member of the Committee ceases to be a director of the Company, his/her membership on the Committee shall lapse automatically, and the Board shall fill the vacancy in accordance with Articles 3 to 5 above.
- Article 8** The internal audit department of the Company responsible for internal audit is directly under the leadership of the Committee, and is its administrative office.
- Article 9** If any member fails to attend in person or entrust other members of the Committee as his/her representative to attend meetings of the Committee for two consecutive times, such member shall be deemed to have failed to perform his/her duties, and the Board shall replace such member.
- Article 10** Except for the situation set out in the foregoing article and the circumstances under which the Articles of Association, the STAR Market Listing Rules and the Hong Kong Listing Rules may prohibit a person from acting as a director or an independent non-executive director, a member shall not be removed from office without cause before the expiration of his/her term of office.

Article 11 A member may resign before the expiration of his/her term of office. The laws and regulations applicable to resignation by a member include the relevant requirements relating to resignation by a director or an independent non-executive director under the Articles of Association, the laws and regulations of the place where the Company is listed, the STAR Market Listing Rules and the Hong Kong Listing Rules.

Article 12 Where a member of the Committee is removed from office by the Board in accordance with Article 9 hereof or a member resigns from his/her position as a member of the Committee before the expiration of his/her term of office in accordance with Article 10 hereof, he/she may continue to perform his/her duties and powers as a director or an independent non-executive director of the Company during his/her term of office without any prejudice.

Article 13 If the Company fails to establish the Committee, or if at any time the Company fails to comply with Articles 3 to 5 herein or any other requirements relating to an audit Committee under the STAR Market Listing Rules and the Hong Kong Listing Rules, the Company must inform The Stock Exchange of Hong Kong Limited immediately, and publish announcements on relevant details and reasons in accordance with the requirements of the STAR Market Listing Rules and the Hong Kong Listing Rules. The Company shall also establish the Committee and/or appoint suitable candidates as members of the Committee to satisfy relevant requirements within three months from the time when it fails to satisfy relevant requirements.

CHAPTER 3 TERMS OF REFERENCE

Article 14 In accordance with the relevant requirements of the Company Law of the People's Republic of China, the STAR Market Listing Rules and the Hong Kong Listing Rules, the Committee is responsible for:

- (1) being primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, approving the remuneration and the terms of appointment of the external auditors, and dealing with any matters related to the resignation or dismissal of the external auditors;
- (2) reviewing and monitoring the independence and objectivity of the external auditors and the effectiveness of the auditing procedures in accordance with applicable standards; and discussing the nature and scope of the audit and the related reporting obligations with the auditors before the commencement of audit work;
- (3) formulating and implementing the policy on engaging the external auditors to provide non-audit services; and reporting any matters where action or improvement is needed to the Board and making recommendations on such matters;

- (4) supervising the Company's internal audit system and its implementation;
- (5) organizing various special audits and be responsible for the communication between internal audit and external audit;
- (6) examining the financial information of the Company and its disclosure, including
 - (a) monitoring the integrity of the Company's financial statements, annual reports and accounts, interim reports and quarterly reports (if prepared for publication), and reviewing the major opinions related to financial reporting as disclosed in the statements and reports; and, before submitting relevant statements and reports to the Board, reviewing the following issues in particular:
 - (i) any changes in accounting policies and practices;
 - (ii) areas where significant judgment is required;
 - (iii) significant adjustment resulting from audit;
 - (iv) the going concern assumption and any qualified opinion;
 - (v) compliance with the accounting standards; and
 - (vi) compliance with the Hong Kong Listing Rules and the laws related to financial reporting;
 - (b) for the purposes of item (a) above:
 - (i) members of the Committee shall liaise with the Board and the senior management. The Committee shall meet the Company's auditors at least twice a year; and
 - (ii) the Committee shall consider any significant or unusual items that are, or need to be, reflected in such reports and accounts and shall give due consideration to any issues that have been raised by the staff of the Company responsible for accounting and financial reporting, the compliance officer or the audit department;

- (7) reviewing the Company's internal control system, and advising and making recommendations on the soundness and completeness of the Company's internal control system, including:
 - (a) reviewing the financial controls, as well as the risk management and the internal control systems of the Company;
 - (b) discussing the risk management and internal control system with management to ensure that management has discharged its duties to establish an effective internal control system. The discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
 - (c) considering any findings of major investigations on risk management and internal control matters on its own initiative or as delegated by the Board, and the management's response;
 - (d) ensuring coordination between the internal and external auditors, and also ensuring the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring the effectiveness of the internal audit function;
 - (e) reviewing the financial and accounting policies and practices of the Group;
 - (f) reviewing the external auditors' management letter to the management, any material queries raised by the auditors to the management in respect of the accounting records, financial accounts or system of control and management's response;
 - (g) ensuring prompt response by the Board to the issues raised by the external auditors in the external auditors' management letter to the management;
 - (h) reporting to the Board regarding the matters in this Article; and
 - (i) considering other topics defined by the Board.
- (8) advising and making recommendations on the appraisal and replacement for the person in charge of the internal audit department of the Company;
- (9) holding regular meetings to review, among others, work plans and reports submitted by the internal audit department; and regularly reporting to the Board on, including but not limited to, the progress and quality of internal audit and the major issues identified;
- (10) reviewing the following arrangement set up by the Company: employees of the Company may report any irregularities that may occur in financial reporting, internal control and other aspects in confidence; and ensuring appropriate arrangements are in place to allow the Company to carry out fair and independent investigations and take appropriate actions on such matters;

- (11) acting as the key representative body in between, and overseeing the Company's relations with the external auditors;
- (12) performing other duties as stipulated under the Articles of Association, the STAR Market Listing Rules and the Hong Kong Listing Rules;
- (13) reporting back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements);
- (14) dealing with other relevant matters authorized by the Board.

Article 15 The Committee is accountable to the Board. Its proposals shall be submitted to the Board for the Board's consideration and decision. The Committee shall cooperate with the supervisors of the board of supervisors for audit activities.

CHAPTER 4 DUTIES OF CHAIRMAN

Article 16 Subject to the Articles of Association, the laws and regulations of the place where the Company is listed, the STAR Market Listing Rules and the Hong Kong Listing Rules, the chairman of the Committee is principally responsible for the following duties:

- (1) convening regular meetings of the Committee;
- (2) convening extraordinary meetings of the Committee if necessary;
- (3) presiding over meetings of the Committee;
- (4) organizing the compilation of topical reports on audit;
- (5) reviewing and approving on-going research reports;
- (6) performing other duties conferred by the Board and the Committee.

Article 17 Where the chairman of the Committee is unable to discharge his/her duties, a member designated by the chairman shall act on his/her behalf.

CHAPTER 5 WORK PROCEDURES

Article 18 The internal audit department is responsible for the preliminary preparation work for decisions to be made by the Committee and the provision of written information on the relevant aspects of the Company:

- (1) relevant financial report of the Company;
- (2) work reports of both internal and external auditors;
- (3) external audit contract and the relevant work report;
- (4) the Company's disclosure of information;
- (5) audit report on material related party transactions of the Company;
- (6) financial information and legal materials concerning major investment projects;
- (7) other related information.

Article 19 The Committee conducts the appraisal and review of the report provided by the internal audit department, and submits the relevant written resolution materials to the Board for discussion:

- (1) evaluation of the performance of the external auditors, and the appointment and change of the external auditors;
- (2) the effectiveness of the implementation of the Company's internal audit system, and the completeness and authenticity of the Company's financial report;
- (3) the objectiveness and authenticity of the disclosed information of the Company such as the financial report, and whether the major related party transactions of the Company comply with relevant laws and regulations;
- (4) evaluation of the performance of the internal financial department, and the audit department including the personnel in charge;
- (5) other related matters.

CHAPTER 6 RULES OF PROCEDURE

Article 20 The Committee shall convene at least four meetings each year. Extraordinary meetings may be proposed by the chairman of the Committee. Notice of the meeting shall be delivered to all members of the Committee five days before the date of the meeting. The chairman of the Committee shall preside over the meetings. If the chairman of the Committee is unable to attend the meeting, he/she may appoint another member of the Committee to preside over the meeting.

Article 21 A meeting of the Committee may only be held if it is attended by at least two-thirds of the members of the Committee. Each member of the Committee shall have one vote. A resolution made at the meeting of the Committee is only valid upon approval by more than half of all the members. In case of an equality of votes cast for and against a resolution, the chairman (convener) shall have a casting vote.

Any member of the Committee having a conflict of interest in the items to be discussed by the Committee should abstain from the meeting. When a valid opinion cannot be formed by deliberation due to withdrawal of members, the relevant item shall be deliberated by the Board directly.

Members of the Committee shall attend the meeting in person and provide an unequivocal opinion on the item being deliberated. If a member is unable to attend a meeting in person for any reason, he/she may authorize another member to attend and to give opinion on his/her behalf by signing an instrument of proxy. The instrument of proxy shall contain the scope and validity period of authorization. A member shall serve as the proxy of one member only. If a member who is an independent director cannot attend a meeting in person for any reason, he/she shall authorize another member who is an independent director to attend the meeting.

Article 22 In general, meetings of the Committee shall be convened via of on-site meeting. Under special circumstances, it may be convened via modes of communication with the consent of the chairman of the Committee, provided that members of the Committee are able to fully express their opinions.

Article 23 The chief financial officer and the person-in-charge of the internal audit department may attend the meetings of the Committee. Where necessary, the directors, supervisors and other senior management members of the Company may be invited to attend the meetings.

Article 24 Where necessary, the Committee may engage intermediaries to provide professional advice on its decision-making, and the expenses incurred shall be borne by the Company.

Article 25 The convening procedures, the method of voting and the resolutions passed at the meetings of the Committee shall comply with the requirements of relevant laws and regulations, the Articles of Association, the STAR Market Listing Rules, the Hong Kong Listing Rules and these Terms.

Article 26 The resolutions passed at the meetings of the Committee and the voting results shall be submitted to the Board in writing. The Committee shall have full minutes of its meetings, and the members present at a meeting shall sign the minutes of that meeting. Such meeting minutes shall be kept by the secretary to the Board of the Company.

The first draft and the final version of the Committee's meeting minutes shall be delivered to all members of the Committee within a reasonable period of time after the meetings. The first draft is for members' comments and the final version is submitted to each member of the Committee for record.

Article 27 All persons attending or present at a meeting shall keep confidential all matters discussed at the meeting and shall not disclose any relevant information without authorization.

CHAPTER 7 SUPPLEMENTARY PROVISIONS

Article 28 Unless otherwise specified, the terms used herein shall have the same meanings ascribed to them in the Articles of Association.

Article 29 Any matters not covered by these Terms shall be implemented in accordance with the provisions of the relevant State laws and regulations, the relevant regulatory rules of the jurisdictions where the Company's shares are listed, the Articles of Association, the STAR Market Listing Rules and the Hong Kong Listing Rules. Where there is a conflict between these Terms and the laws and regulations to be promulgated by the State in the future, the relevant regulatory rules of the jurisdictions where the Company's shares are listed, the STAR Market Listing Rules and the Hong Kong Listing Rules or the Articles of Association as amended in accordance with lawful procedures, these Terms shall be implemented in accordance with the provisions of the relevant State laws and regulations, the relevant regulatory rules of the jurisdictions where the Company's shares are listed, the STAR Market Listing Rules and the Hong Kong Listing Rules and the Articles of Association. These Terms shall be amended immediately, and these amended Terms shall be submitted to the Board for consideration and approval.

Article 30 These Terms shall be amended and construed by the Board.

Article 31 These Terms are considered and approved by the Board, and shall become effective upon the date of listing and trading of the Company's shares on the STAR Market of the Shanghai Stock Exchange.

15 July 2020

* *For identification purpose only*

** *Should there be any discrepancy between the Chinese and English versions of the Terms of Reference of the Audit Committee, the Chinese version shall prevail.*