

# Xuanzhu Biopharmaceutical Co., Ltd.

## Terms of Reference and Rules of Procedure of the Remuneration and Appraisal Committee of the Board

### CHAPTER 1 GENERAL PROVISIONS

- Clause 1** In order to regulate the remuneration and appraisal system for the directors and senior management of Xuanzhu Biopharmaceutical Co., Ltd. (hereinafter referred to as the “**Company**”) and improve the corporate governance structure of the Company, the remuneration and appraisal committee (hereinafter referred to as the “**Committee**”) under the board of directors (hereinafter referred to as the “**Board**”) of the Company is established with the Terms of Reference and Rules of Procedure of the Remuneration and Appraisal Committee of the Board of Xuanzhu Biopharmaceutical Co., Ltd. (《軒竹生物科技股份有限公司董事會薪酬與考核委員會職責和議事規則》) (hereinafter referred to as these “**Terms**”) in accordance with the Company Law of the People’s Republic of China and other relevant laws, administrative regulations, normative documents (collectively referred to as the “**Laws and Regulations of the PRC**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Hong Kong Listing Rules**”) and the Articles of Association of Xuanzhu Biopharmaceutical Co., Ltd. (hereinafter referred to as the “**Articles of Association**”).
- Clause 2** The Committee is a special committee under the Board of the Company, which is primarily responsible for formulating the appraisal standards and conducting appraisal for the directors and senior management of the Company, making suggestion and recommendations, and formulating and reviewing remuneration policy and packages for the directors and senior management of the Company.
- Clause 3** The reference of directors herein refers to all directors of the Company, while senior management refers to the general manager, deputy general manager, chief financial officer and secretary to the Board appointed by the Board as well as other senior management members as stipulated in the Articles of Association.
- Clause 4** The Committee shall be accountable for and report to the Board.
- Clause 5** These Terms shall apply to the Committee and the relevant personnel and departments referred herein.

## CHAPTER 2 COMPOSITION OF THE COMMITTEE

**Clause 6** The Committee shall consist of no less than three directors, with a majority of whom being independent non-executive directors.

Members of the Committee shall be nominated by the chairman of the Board and a simple majority of the independent directors or more than one-third of all directors, and shall be elected by the Board and approved by a simple majority of all directors.

**Clause 7** The Committee shall have a chairman who shall be an independent non-executive director. The chairman shall be nominated by the chairman of the Board and appointed upon approval of the Board.

**Clause 8** The term of office of the Committee shall be the same as that of the Board, and the term of office of a Committee member shall be the same as his/her term of office as a director. Committee members are eligible for re-election upon expiry of their term of office. A Committee member shall, ipso facto, cease to be a member when he/she is no longer a director of the Company or (for a member who is an independent non-executive director) cease to have the independence required by the Hong Kong Listing Rules. The causal vacancy shall be filled by the Board in accordance with these Terms.

**Clause 9** A Committee member may tender his/her resignation to the Board during his/her term of office by giving a written notice to explain the reason for resignation and other matters which need to be brought to the attention of the Board of the Company. If the number of members falls below the minimum number as provided herein, the resigning member shall continue to perform his/her duties until the appointment of a substitute member to fill his/her place by the Board.

**Clause 10** Adjustments may be made to the members of the Committee during their term of office if proposed by the chairman of the Board and approved by the Board.

**Clause 11** Committee members shall disclose to the Committee the following:

- (1) any personal financial interest in any matter to be resolved by the Committee (other than any interest in the capacity of a shareholder of the Company);
- (2) any potential conflict of interest arising from their directorship of other companies.

Any such member shall abstain from voting, and shall not participate in the discussion on matters where he/she has an interest and which are considered by the Committee, and shall, if requested by the Board, resign from his/her office in the Committee.

**Clause 12** Where the composition of the Committee fails to meet the requirements of these Terms, the Board shall immediately make an announcement to specify the details and reasons for the failure to meet the requirements in accordance with the Hong Kong Listing Rules, and shall rectify the situation within three months from the date of failure to meet the relevant requirements in accordance with these Terms. The substitute member shall hold office until the expiry of his/her term of office as a director.

**Clause 13** Under the coordination of the office of the Board, the human resources department of the Company, as the working body of the Committee, shall provide support and services to the Committee and undertake the relevant duties assigned by the Committee.

### **CHAPTER 3 DUTIES OF THE COMMITTEE AND ITS MEMBERS**

**Clause 14** The primary duties of the Committee shall include:

- (1) to make recommendations to the Board regarding the overall remuneration policy and structure for directors and senior management and on the establishment of formal and transparent procedures for developing the remuneration policy;
- (2) to review and approve the remuneration proposals for management members with reference to the corporate goals and objectives formulated by the Board;
- (3) to make recommendations to the Board on the remuneration packages of individual executive director and senior management or to determine, with delegated responsibility from the Board, the remuneration packages of individual executive director and senior management. The remuneration packages shall include benefits in kind, pension rights and compensation payments (including compensation for loss or termination of their office or appointment);
- (4) to consult the chairman and/or the general manager (chief executive officer) regarding the remuneration proposals of other executive directors. The Remuneration and Appraisal Committee may seek for independent professional advice if necessary;
- (5) to make recommendations to the Board on the remuneration of non-executive directors;
- (6) to consider salaries paid by comparable companies, time commitment and responsibilities required, as well as other employment conditions of the Company and its subsidiaries;

- (7) to review and approve the compensation payable to executive directors and senior management for their loss or termination of office or appointment to ensure that such compensation is consistent with the contractual terms and is otherwise fair and reasonable;
- (8) to review and approve the compensation arrangements arising from the dismissal or removal of directors due to misconduct to ensure that such compensation is consistent with the contractual terms and is otherwise fair and reasonable;
- (9) to ensure that no director or any of his/her associates (as defined in the Hong Kong Listing Rules) participates in determining his/her own remuneration;
- (10) to review and/or approve the matters relating to share scheme under Chapter 17 of the Hong Kong Listing Rules;
- (11) to perform other duties required by the Laws and Regulations of the PRC, the Hong Kong Listing Rules and these Terms and other duties conferred by the Board.

**Clause 15** The primary duties of the chairman of the Committee shall include:

- (1) to convene and preside over regular and extraordinary meetings of the Committee;
- (2) to supervise and examine the performance of the Committee and implementation of the resolutions of the Committee;
- (3) to sign the relevant documents of the Committee;
- (4) to report the work of the Committee to the Board of the Company;
- (5) to attend the annual general meeting of the Company and reply to enquiries from shareholders on matters relating to the duties of the Committee. Where the chairman of the Committee is unable to attend the annual general meeting, other members or proxies so duly appointed shall attend the meeting on his/her behalf;
- (6) to perform other duties as required by the Laws and Regulations of the PRC, the Hong Kong Listing Rules and these Terms and other duties conferred by the Board.

**Clause 16** The primary duties of a Committee member shall include:

- (1) to attend meetings of the Committee punctually, and express opinions and vote on the matters discussed thereon;
- (2) to propose matters to be discussed at the meetings of the Committee;
- (3) to sit in or observe relevant meetings of the Company, conduct studies and researches, and obtain reports, documents, materials and other relevant information necessary for performing his/her duties;
- (4) to fully understand the duties of the Committee as a whole and those as a member of the Committee, and acquaint himself/herself with the operation, management, business activities and development of the Company to ensure his/her capacity for the performance of responsibilities;
- (5) to guarantee that he/she has devoted sufficient time and attention to perform his/her duties;
- (6) to perform other duties as required by the Laws and Regulations of the PRC, the Hong Kong Listing Rules and these Terms and other duties conferred by the Board.

**Clause 17** The working body of the Committee shall be responsible for providing following information of the Company for the preparatory work prior to the decision-making process of the Committee:

- (1) major financial indicators of the Company and achievement progress of the operating targets;
- (2) scope of duties and major duties of the senior management of the Company;
- (3) fulfillment of performance evaluation indicators by the directors and senior management;
- (4) estimates used for the formulation of performance-based remuneration packages of the Company with reference to the Company's results.

**Clause 18** The Board has the power to veto compensation plans or proposals that are detrimental to the interests of shareholders. The remuneration plans for directors of the Company proposed by the Committee shall be subject to the approval of the Board and may be implemented only upon the consideration and approval of the shareholders' meeting, or the remuneration of directors of the Company shall be determined by the Board with the authorization of the shareholders' meeting. The remuneration distribution plan for senior management of the Company shall be subject to the approval of the Board.

## CHAPTER 4 MEETINGS OF THE COMMITTEE

- Clause 19** Meetings of the Committee shall be classified as regular meetings and extraordinary meetings.
- Clause 20** Regular meetings of the Committee shall be held at least once a year, and the written notice of the meeting shall be served to all members three days prior to the meeting.
- Clause 21** The Committee may convene extraordinary meetings when necessary. The chairman of the Committee shall issue a notice to convene a meeting within three days from the date of actual occurrence of any of the following circumstances:
- (1) where the Board deems it necessary;
  - (2) where the chairman of the Committee deems it necessary;
  - (3) where it is proposed by more than two members of the Committee;
- Clause 22** The working body of the Committee shall issue the notice of meeting in writing to each of the Committee members and relevant persons being invited to attend the meeting three days prior to the date of the meeting (except in special circumstances where the requirement of a prior notice is exempted, provided that the presider of the meeting shall provide explanation at the meeting). The notice of meeting shall contain information on the form, time, venue, duration and agenda of the meeting, time of issuance of the notice, name and contact information of the contact person of the meeting and other relevant information.
- Clause 23** Upon receipt of the notice, all Committee members shall promptly provide confirmation and relevant replies (including but not limited to the confirmation of attendance and scheduling) via proper means.
- Clause 24** All members of the Committee shall attend the meeting in person. If a member is unable to attend the meeting in person for any reason, he/she shall, by signing and submitting a letter of proxy, authorize another member of the Committee to attend and express opinion at the meeting on his/her behalf. Such letter of proxy shall expressly state the scope and term of the authorization. Each member shall appoint only one other member as his/her proxy to exercise the voting right on his/her behalf. Where a member authorizes two or more other members to exercise the voting right on his/her behalf, such authorization shall be invalid. In addition, no member shall accept any such authorization from two or more other members concurrently.

The members attending a meeting on behalf of another member shall exercise the rights within the scope of authorization. If a member does not attend a Committee meeting in person or authorize another member to exercise the rights on his/her behalf, nor does he/she submit any opinion in writing prior to the meeting, he/she shall be deemed to have waived his/her rights.

A member who is unable to attend a meeting in person may also exercise his/her rights by submitting in writing his/her opinion with respect to any matter on the meeting agenda, provided that such written opinion shall be submitted to the working body of the Committee before the meeting.

**Clause 25** If a Committee member does not attend a meeting in person or authorize another member to attend such meeting on his/her behalf, nor does he/she submit any opinion in writing prior to the meeting on two consecutive occasions, or if such member fails to attend in person three-fourths of all meetings of the Committee held during any year, such member shall be deemed incapable of performing the duties of the Committee, and the Board may replace him/her in accordance with these Terms.

**Clause 26** The quorum of a Committee meeting shall be more than two-thirds of the Committee members. Meetings shall be presided over by the chairman of the Committee, who may appoint another member to act on his/her behalf when he/she is unable to attend the meeting. If the chairman of the Committee neither performs his/her duties nor designates another member to act on his/her behalf, any member may report the same to the Board of the Company, and the Board of the Company shall appoint another member who is an independent non-executive director to perform the duties of the chairman of the Committee.

## **CHAPTER 5 PROCEDURES OF MEETINGS**

**Clause 27** Each member of the Committee shall have one vote. A resolution of the meeting shall be passed by a simple majority of the votes of all members. In the event that the meeting fails to reach a valid resolution due to abstention of any member, the relevant matter shall be considered directly by the Board.

**Clause 28** Meetings of the Committee shall be convened by way of on-site meeting or video conference or teleconference in principle. Should an on-site meeting, video conference or teleconference is unable to be held in case of any emergency, force majeure and other special reasons, the meeting may be held by means of correspondence. In such case, the Committee members shall submit to the Board their written opinions with respect to the matters to be considered within the period prescribed by the notice of the meeting.

- Clause 29** Voting at a meeting of the Committee shall be conducted by a show of hands or by poll. Where any member fails to sign the resolutions made at a teleconference or video conference in real time, the said member may orally give opinions first and responsively affix the written signature thereof as soon as possible, provided that there is no discrepancy between the opinions expressed by such member subsequently in signing the written resolutions and the opinions orally expressed by him/her at the meeting.
- Clause 30** All items on the agenda shall be considered during the meeting of the Committee, and the Committee members shall explicitly, independently and fully express their opinions based on their own judgment. In case of any different opinions, such opinions shall be stated in the meeting summary to be submitted to the Board.
- Clause 31** The Committee may invite directors, related senior management members and relevant experts of the Company, external experts, scholars, intermediary agencies and other persons to sit in at the meeting. Such persons being invited shall give explanation and elaboration on any issues as required by any Committee member.
- Clause 32** Where it deems necessary, the Committee may, upon approval by the Board, seek for professional advice of external professional personnel or organizations. Any reasonable cost so incurred shall be borne by the Company.
- Clause 33** In any of the following circumstances, members of the Committee shall make a prior disclosure to the Committee and abstain from considering and voting on the relevant matters:
- (1) in evaluating of such Committee member or reviewing his/her remuneration;
  - (2) in evaluating of the associates (as defined in the Hong Kong Listing Rules) of such Committee member or reviewing his/her remuneration;
  - (3) other circumstances where such member has interests or that may affect such member in making objective and fair judgments.
- Clause 34** All persons attending the Committee meetings shall keep all matters considered at the meetings confidential and shall not disclose any such information without authorization



## **CHAPTER 6 MINUTES AND SUMMARY OF THE COMMITTEE MEETINGS**

**Clause 35** Minutes shall be kept for all meetings of the Committee, which shall be prepared by the working body of the Committee and shall contain the following information:

- (1) serial number, form, date, venue and name of the presider of the meeting;
- (2) attendance and absence of members in person and by proxy;
- (3) name and title of each attendee;
- (4) agenda of the meeting;
- (5) key points made by the Committee members and other relevant attendees;
- (6) name of the minutes taker;
- (7) abstention of any interested member (if any), which shall be specified in the minutes or the relevant resolutions.

All Committee members present at the meeting shall sign the minutes.

**Clause 36** After each meeting of the Committee, the working body of the Committee shall prepare a meeting summary recording the considerations and discussions of the meeting. Copies of the meeting summary shall be submitted to the Board of the Company and dispatched to all Committee members, secretary to the Board, the human resources department of the Company and relevant departments and personnel.

**Clause 37** Meeting minutes, meeting summary, letters of proxy, written opinions of the members of the Committee and other materials of the meeting shall be kept by the office of the Board in accordance with relevant requirements.

## **CHAPTER 7 SUPPLEMENTARY PROVISIONS**

**Clause 38** Unless otherwise stated, terms used herein shall have the same meanings ascribed to them in the Articles of Association.

**Clause 39** “**More than**” and “**within**” as referred to herein shall include the number while the word “**over**” shall not include the number itself.

- Clause 40** For any matter not covered in these Terms, or in the event of any contradiction with any laws, administrative regulations, normative documents, relevant regulatory rules of the place where the shares of the Company are listed or the Articles of Association as amended under lawful procedures promulgated after these Terms become effective, the laws of the PRC, administrative regulations, normative documents, relevant regulatory rules of the place where the shares of the Company are listed and the Articles of Association shall prevail and these Terms shall be amended in a timely manner.
- Clause 41** Subject to the consideration and approval by the Board, these Terms shall take effect and come into force on the date of the initial listing of the Company on The Stock Exchange of Hong Kong Limited. Upon the effective date of these Terms, the original Working Rules of the Remuneration and Appraisal Committee of the Board (《董事會薪酬與考核委員會工作規則》) of the Company shall automatically become invalid.
- Clause 42** The rights of interpretation and amendment of these Terms shall be vested in the Board of the Company.
- Clause 43** These Terms are available in both Chinese and English. In case of discrepancy, the Chinese version shall prevail.