

# Terms of Reference and Rules of Procedures for Meeting of Remuneration Committee of Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.

## CHAPTER 1 GENERAL PROVISIONS

- Article 1 In order to enhance the remuneration management system and optimize the corporate governance structure of Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (the “**Company**”), the Remuneration Committee under the board of directors (the “**Board**”) of the Company (the “**Committee**”) is established with these Terms of Reference and Rules of Procedures for Meeting of Remuneration Committee of Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (these “**Terms**”) in accordance with the Company Law of the People’s Republic of China (the “**Company Law**”), 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 Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (the “**Articles**”) and other relevant laws, regulations and regulatory documents.
- Article 2 The Committee is a specific committee under the Board and is mainly responsible for formulating the appraisal standards and conducting appraisal for the directors and senior management of the Company, and setting up and reviewing the remuneration policy and packages for the same.
- Article 3 The reference of directors herein refers to all directors of the Company, while senior management refers to the general manager, deputy general manager, person-in-charge of finance, secretary of the Board, as well as other senior management as provided under the Articles.
- Article 4 The Committee shall be accountable and report to the Board.
- Article 5 These Terms shall apply to the Committee and the persons and departments governed by these Terms.

## CHAPTER 2 COMPOSITION OF THE COMMITTEE

- Article 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, more than half of the independent directors or more than one-third of all directors and appointed by the Board upon approval by more than half of the directors.
- Article 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 of the Company and appointed upon approval of the Board.
- Article 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 may be re-elected upon expiry of their terms of office. If any member ceases to be a director of the Company or any member who is an independent non-executive director no longer meets relevant independence requirements as set out in the Hong Kong Listing Rules during his/her term of office, his/her membership in the Committee shall lapse automatically, and the vacancy shall be filled up by the person elected by the Board in accordance with these Terms.

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

Article 10 The Committee members may be changed during their terms of office if such change is proposed by the chairman of the Board and approved by the Board after discussion.

Article 11 Each member of the Committee shall disclose the following to the Committee:

- (1) any personal financial interest (other than the interest as a shareholder of the Company) in any matter to be decided by the Committee; or
- (2) any potential conflict of interest arising from directorships held in other companies.

If such interest exists, any such member shall abstain from voting on matters of the Committee and shall be prohibited from participating in the discussion of such matters and shall, if so requested by the Board, resign from the Committee.

Article 12 The composition of the members and implementation of the Committee should comply with the requirement of the Hong Kong Listing Rules, otherwise the Company should state the discrepancies by announcement in a timely manner as required by the Hong Kong Listing Rules, and fill the vacancy according to these Terms within three months from the date on which the relevant requirements fail to be satisfied. The term of office for the new member shall terminate at the end of his/her term of office as a director.

Article 13 With the coordination of the office of the Board, the human resources department of the Company shall act as the executive body of the Committee to provide support and services and perform duties assigned by the Committee.

### **CHAPTER 3 RESPONSIBILITIES OF THE COMMITTEE**

Article 14 The primary responsibilities of the Committee include:

- (1) to make recommendations to the Board regarding the 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 management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (3) to make recommendations to the Board on the remuneration packages of individual executive director and senior management or to determine remuneration packages of individual executive director and senior management with authorization. The remuneration packages shall include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (4) to make recommendations to the Board on the remuneration of non-executive directors;

- (5) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions of other positions in the Company;
- (6) to review and approve the compensation payable to the executive director 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 not excessive;
- (7) to review and approve the compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are consistent with the contractual terms and are otherwise fair and not excessive;
- (8) to ensure that no director or any of his/her associates (as defined in the Hong Kong Listing Rules) is involved in deciding his/her own remuneration;
- (9) in respect of any service agreement to be entered into between any members of the Group and its director or proposed director which requires the prior approval by the shareholders of the Company under the Hong Kong Listing Rules, to review and provide recommendation to the shareholders of the Company (other than shareholder(s) who is/are director(s) with a material interest in the relevant service agreements and their respective associates) as to whether the terms of the service agreements are fair and reasonable and whether such service agreements are in the interests of the Company and the shareholders as whole, and to advise shareholders on how to vote. The aforesaid directors' service agreements requiring shareholders' approval include agreements with a service term longer than three years, agreements providing for more than a one-year prior notice shall be given or compensation or other expenses equal to the remuneration of more than one year shall be paid if the Company terminates the agreements, or agreements required by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or other related and applicable securities regulatory authorities; and
- (10) to review and/or approve matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules.

Article 15 Responsibilities of the chairman of the Committee include:

- (1) to convene and preside over regular and extraordinary meetings of the Committee;
- (2) to supervise and examine the performance 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 Company's annual general meeting and answer shareholders' questions about the Committee's duties. If the chairman of the Committee is unable to attend the annual general meeting, any other member or appropriately appointed representative shall attend the meeting on his/her behalf;
- (6) to perform other duties as required by the laws and regulations, relevant regulatory requirements of the place(s) where the Company is listed (such as the Hong Kong Listing Rules), these Terms and the Board.

Article 16 Primary responsibilities of a Committee member include:

- (1) to attend meetings of the Committee punctually, and express opinions on the matters discussed thereon and exercise voting rights at the meetings;
- (2) to propose an agenda for discussion at the meetings of the Committee;
- (3) to sit in on or observe relevant meetings of the Company to conduct studies and researches by obtaining reports, documents, materials and other relevant information necessary for the performance of his/her responsibilities;
- (4) to fully understand the responsibilities of the Committee and his/her role as a member of the Committee, and acquaint himself/herself with the operation and 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 fulfil his/her responsibilities;
- (6) to perform other duties as conferred by the laws and regulations, relevant regulatory requirements of the place(s) where the Company is listed (such as the Hong Kong Listing Rules), these Terms and the Board.

Article 17 The executive body of the Committee shall be responsible for the preparation of the following information in order to facilitate 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 responsibilities 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.

Article 18 The Board shall have the right to overrule any remuneration plans or packages that may prejudice the interest 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 general meeting, or the remuneration of directors of the Company shall be determined by the Board with the authorization of the general meeting. The remuneration distribution plan for senior management of the Company shall be subject to the Board's approval.

#### **CHAPTER 4 MEETINGS OF THE COMMITTEE**

Article 19 Meetings of the Committee can be classified as regular meetings and extraordinary meetings.

Article 20 The Committee shall hold at least one regular meeting every year, and the written notice of the meeting shall be served to all members three days prior to such meeting.

Article 21 The Committee may convene extraordinary meetings when necessary. The chairman of the Committee shall issue a written 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.

Article 22 The executive body of the Committee shall issue the notice of the meeting in writing to each of the Committee members three days prior to the date of the meeting (except where the requirement of a prior notice is reasonably exempted and all members have not raised objections). The notice of the 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.

Article 23 Upon receipt of the notice of the meeting, all Committee members shall promptly provide confirmation and relevant replies (including but not limited to the confirmation of attendance and other arrangement) via a proper means.

Article 24 All members of the Committee shall attend the meeting in person. If a member is unable to attend the meeting in person, such member 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 may appoint only one other member as his/her proxy to exercise the voting right on his/her behalf for each meeting. 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 meeting in person or authorize another member of the Committee 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 his/her opinion in writing with respect to any matter on the meeting agenda, provided that such written opinion shall be submitted to the executive body of the Committee before the convening of the meeting at the latest.

Article 25 A member should attend a meeting regularly and actively participate in committee affairs.

Article 26 The quorum of a Committee meeting shall be the presence of more than two thirds of the Committee members. Meetings of the Committee 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 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**

Article 27 Each member of the Committee shall have one vote. A resolution of the meeting shall be passed

by more than half 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.

Article 28 Meetings of the Committee shall be convened by way of on-site meeting, video conference or teleconference in principle. Should an on-site meeting, video conference or teleconference be unable to be held in case of emergency, force majeure or other special reasons, such meeting can be held by means of written communication. Where a meeting is conducted by means of written communication, the Committee members shall submit to the Board their written opinions with respect to the matters to be discussed within the period prescribed by the notice of the meeting.

Article 29 Voting at the meetings of the Committee shall be conducted by a show of hands or by poll. Where any member cannot sign the resolutions made at a telephone meeting or video meeting 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.

Article 30 All items on the agenda shall be discussed during the meeting of the Committee, and the Committee members shall explicitly, independently and fully express their opinions based on their own judgment. In the case of any different opinions, such different opinions shall be stated in the meeting minutes.

Article 31 The Committee may invite directors, relevant senior management members and relevant experts of the Company, external experts, scholars, intermediary agencies and relevant persons to sit in on the meeting. Such persons being invited shall give explanation and elaboration on any issues as required by any Committee member.

Article 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.

Article 33 In any of the following circumstances, the member of the Committee shall make disclosure to the Committee in advance, and abstain in the discussion and resolution by voting of the Committee in relation to such issues:

- (1) evaluating such member or discussing his/her remuneration;
- (2) evaluating the associate (as defined in the Hong Kong Listing Rules) of such member or discussing his/her remuneration;
- (3) other circumstances where such member has interests or may be affected in making objective and fair judgments.

Article 34 All persons attending the Committee meetings shall keep all matters discussed at the meetings confidential and shall not disclose any such information without authorization.

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

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

- (1) serial number, form, date, venue and name of the chairman 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) main points made by the Committee members and other relevant attendees;
- (6) name of the person taking minutes;
- (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.

Article 36 Meeting minutes, letters of proxy, written opinions of the members of the Committee and other materials of the meeting of the Committee shall be kept by the office of the Board in accordance with relevant requirements.

## **CHAPTER 7 SUPPLEMENTARY PROVISIONS**

Article 37 Unless otherwise stated, terms used in herein shall have the same meanings ascribed to them in the Articles.

Article 38 For any matter not covered in these Terms, or in the event of any contradiction with any laws, administrative regulations, normative documents, relevant regulatory requirements of the listing place(s) of the Company (such as the Hong Kong Listing Rules) or the Articles as amended under lawful procedures promulgated after these Terms become effective, such laws, administrative regulations and normative documents, relevant regulatory requirements of the listing place(s) of the Company (such as the Hong Kong Listing Rules) and the Articles shall prevail. Amendments to these Terms shall be made forthwith and submitted to Board for approval.

Article 39 These Terms have been considered and approved by the Board and shall become effective and applicable from the date on which the shares of the Company are first issued and listed in Hong Kong.

Article 40 The rights of interpretation and amendment of these Terms shall be vested in the Board of the Company.

Article 41 These Terms are available in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.