



Shaanxi Micot Pharmaceutical Technology Co., Ltd.

陝西麥科奧特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)

(“Company”)

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

In accordance with the code provisions of the Corporate Governance Code issued by the Stock Exchange, a Remuneration Committee shall be established, and its terms of reference (the **“Terms of Reference”**) are set out in this document and are hereby adopted.

1. Organisation

To ensure the standardized operation of Shaanxi Micot Pharmaceutical Technology Co., Ltd. (the **“Company”**), establish effective supervision and incentive mechanisms, and improve its corporate governance structure, the board (the **“Board”**) of directors (the **“Directors”**) of the Company has established the Board Remuneration Committee (the **“Committee”**).

2. Objectives

The primary objective of the Committee is to assess the overall remuneration policy and structure for Directors and senior management, and to formulate fair, equitable and practical remuneration policies; to formulate assessment standards for the Company's Directors and senior management and to conduct assessments. The Committee shall be responsible to the Board of Directors.

3. Members

- 3.1 The Committee shall be composed of at least three directors, appointed or removed by the Board of Directors. If a Committee member (**“Member”**) ceases to be a director, he/she shall automatically cease to be a Member, and the Board of Directors shall appoint a new member to fill the vacancy.
- 3.2 Independent non-executive directors shall constitute not less than one-half of the members of the Committee.
- 3.3 The chairman (the **“Chairman”**) of the Committee shall be appointed by the Board of Directors and must be an independent non-executive director.
- 3.4 The term of office of the Committee shall be consistent with that of the Board of Directors, and upon expiry of their term, members shall be eligible for re-election and re-appointment.

3.5 Each member of the Committee shall disclose to the Committee:

- (a) any personal financial interest in any matter to be decided by the Committee (other than any interest held by virtue of being a shareholder);
- (b) any potential conflict of interest arising from his/her concurrent directorships in other companies. If a resolution proposed by the Committee involves the aforesaid interests, the member concerned shall abstain from voting on the resolution and shall not participate in the discussion of the relevant resolution; and (if so required by the Board of Directors) tender his/her resignation to the Committee.

4. Secretary

Unless otherwise appointed by the Committee, the secretary of the Committee (the “**Secretary**”) shall be the company secretary of the Company; if there is no company secretary, the secretary to the Board of Directors of the Company shall serve as such; if there is no secretary to the Board of Directors, any other person nominated by any Member and approved by the Committee shall serve as the Secretary of the Committee.

5. Authority and Powers

- 5.1 The Committee is authorised by the Board of Directors to perform the duties mentioned in these Terms of Reference. It has been authorised to request any necessary remuneration information from the relevant personnel of the Company. If necessary, the Committee may seek external independent professional advice from professional institutions (at the Company’s expense) and invite external advisers with relevant experience and expertise to attend meetings. The Committee shall be solely responsible for establishing the selection criteria, selection, appointment and relevant policies for any external remuneration consultants who provide advice to the Committee.
- 5.2 The Committee shall be provided with sufficient resources to perform its duties.
- 5.3 The Committee is authorised by the Board of Directors to review, assess and make recommendations on any matter within its remit.

6. Responsibilities

6.1 The duties of the Committee are as follows:

- (a) To consult the chairman of the Board regarding remuneration proposals for other executive directors and to seek independent professional advice where necessary;
- (b) To make recommendations to the Board of Directors on the remuneration policy and structure for all Directors and senior management, which shall mainly include, but not be limited to, performance evaluation standards, procedures and principal evaluation systems, as well as reward (including equity incentives) and penalty schemes;
- (c) To review and approve management's remuneration proposals with reference to the corporate policies and objectives set by the Board of Directors;
- (d) To make recommendations to the Board of Directors on the remuneration packages of individual executive directors and senior management, which should include non-monetary benefits, pension entitlements and compensation amounts (including compensation for loss or termination of office or appointment);
- (e) To make recommendations to the Board of Directors on the remuneration of non-executive directors;
- (f) To consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions for other positions within the Company and its subsidiaries;
- (g) To review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that such compensation is consistent with contractual terms; and if it is not consistent with contractual terms, the compensation must also be fair and reasonable and not excessive;
- (h) To review and approve compensation arrangements relating to the dismissal or removal of a director for misconduct to ensure that such arrangements are consistent with contractual terms; and if they are not consistent with contractual terms, the relevant compensation must also be reasonable and appropriate;

- (i) To ensure that no director or any of his/her associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) is involved in deciding his/her own remuneration;
- (j) To comply with the requirements, guidelines and rules imposed by the Company’s memorandum and articles of association or the Listing Rules or applicable law from time to time; and
- (k) To review the performance of duties by the Company’s directors (non-independent directors) and senior management and to conduct assessments thereof.

6.2 When performing its duties under these terms of reference, the Committee shall:

- (a) consult the chairman of the Board of Directors on the remuneration packages for other executive directors and senior management, and seek independent professional advice where necessary;
- (b) provide competitive packages in accordance with market practice to attract, retain and motivate high-calibre executive directors and senior management;
- (c) determine the positioning of the Company relative to other companies in the industry in which it operates. The Committee should be aware of the remuneration levels of comparable companies and consider their relative performance;
- (d) pay close attention to market practices, including salaries and employment conditions within the Company and in the industry in which the Company operates, especially when determining annual salary increases;
- (e) ensure that performance-linked remuneration forms a significant part of the overall remuneration package for executive directors and senior management, aligning their interests with those of the shareholders, thereby motivating directors and senior management to strive for optimal performance;
- (f) ensure that any equity incentives granted by the Company to its directors or senior management (if any) comply with the Listing Rules or that employee incentive schemes comply with applicable laws and regulations (if applicable).

6.3 Without prejudice to the generality of the Committee's Terms of Reference set out above, the Committee shall:

- (a) where applicable, implement the Company's Incentive Equity Interest Plan or other incentive schemes, and recommend to the shareholders' meeting the grant of Incentive Equity Interests to directors and senior management. It shall recommend to the Board of Directors the total amount to be granted to employees (the Board of Directors may, at its discretion, determine the specific amount to be granted to individuals) and amend the terms of such plans (subject to the provisions of the plans regarding amendments);
- (b) liaise with the trustees of any employee share award scheme established by the Company for the benefit of employees, senior management or directors;
- (c) review the terms of the letters of appointment of executive directors and senior management from time to time;
- (d) advise the Board of Directors on the preparation of the Board's remuneration report to shareholders (if any).

7. Committee Meetings

7.1 Frequency of Meetings

The Committee shall convene at least one meeting each year, which may be held in person, by telephone or by video conference. Extraordinary meetings may be convened when necessary.

7.2 Notice of Meetings

Unless all members unanimously agree to waive notice, the Secretary of the Committee shall give all members seven days' notice of a meeting and circulate the agenda for the meeting to the members.

7.3 A meeting of the Committee shall be valid only if more than half of the members are present.

7.4 Mode of Meetings

Meetings may be held in person, by telephone or by video conference. Members may attend meetings by telephone or similar means of communication that allow all members to communicate with each other. With the unanimous consent of all members, the Committee may also pass resolutions by way of a written resolution.

The Chairman of the Committee is responsible for convening and presiding over Committee meetings. If the Chairman of the Committee is unable or refuses to perform his duties, an independent non-executive director shall be elected by more than half of the members to preside over the meeting.

Members shall attend Committee meetings in person and express clear opinions on the matters under deliberation. If a member is unable to attend a meeting in person for any reason, they shall review the meeting materials in advance, form a clear opinion, record that opinion in a proxy form, and appoint another member in writing as their proxy.

A member may act as a proxy for no more than one other member, and the proxy form must specify the scope and duration of the authorisation. If an independent non-executive director is unable to attend a meeting for any reason, they shall appoint another independent non-executive director on the Committee as their proxy.

7.5 Resolutions

Each member shall have one vote, and a resolution of the Committee shall be valid only if passed by a majority of votes of the members. A resolution signed in writing by all members of the Committee, whether or not a meeting is held, shall be valid and legally effective. Any such resolution may be contained in a single document or may consist of several documents in like form.

7.6 Attendance at Meetings

The Committee may invite executive directors, external advisers or other persons to attend meetings, but such executive directors, external advisers or other persons shall have no right to vote at Committee meetings.

7.7 Minutes of Meetings

The Secretary of the Committee shall keep complete minutes of all Committee meetings. The minutes shall record in detail the matters considered and decisions reached by the members at the meeting, including the names of the members present and any concerns raised or dissenting opinions expressed by the members. The members present at the meeting and the person taking the minutes shall sign the minutes of the meeting.

8. Reporting

- 8.1 The Chairman of the Committee or another member authorised by him to preside over a Committee meeting shall report to the Board of Directors after each Committee meeting.
- 8.2 Without prejudice to the generality of the Committee's responsibilities set out in these Terms of Reference, the Committee shall report to the Board of Directors to keep it fully informed of its decisions and recommendations, save for special provisions of laws and regulations or regulatory restrictions.

9. Amendment to the Terms of Reference

The Committee shall review these Terms of Reference annually and may consider and submit to the Board of Directors any proposed amendments that the Committee deems appropriate or feasible.

10. Provision and Updating of Terms of Reference

These Terms of Reference shall be updated and amended as necessary in light of circumstances and changes in Hong Kong's regulatory requirements (such as the Listing Rules). These Terms of Reference shall be made available to the public by publication on the websites of the Company and the Stock Exchange.

11. Interpretation

- 11.1 Matters not covered by these Terms of Reference shall be dealt with in accordance with the relevant laws, regulations, rules, regulatory requirements and the Articles of Association.
- 11.2 The right to interpret these Terms of Reference rests with the Board of Directors.