

Shanghai Bao Pharmaceuticals Co., Ltd.
Terms of reference for the Remuneration Committee of the Board of Directors

GENERAL PROVISIONS

Article 1 For the purpose of enhancing the decision-making function of the Board of Directors of Shanghai Bao Pharmaceuticals Co., Ltd. (the “Company”), reinforcing the effective supervision of management by the Board of Directors of the Company and improving the corporate governance structure, the Company has established the Remuneration Committee under the Board of Directors and formulated these terms of reference 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 Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules and the Articles of Association of Shanghai Bao Pharmaceuticals Co., Ltd. (the “Articles of Association”) applicable after the issuance of H Shares and other relevant laws, administrative regulations and normative documents.

Article 2 The Remuneration Committee is a specialized working body established by the Board of Directors pursuant to the resolution of the shareholders’ general meeting and is accountable to the Board of Directors. Its main duties include the review, supervision and execution of the remuneration system and performance appraisal system which is with incentivizing and binding purposes, proposals to the Board of Directors regarding the remuneration system, the appraisal system and the incentive scheme of the directors, supervisors and senior management of the Company, and the evaluation of the performance and actions of directors and senior management.

The directors as referred in these terms of reference refer to the directors who receive remuneration from the Company, and the senior management as referred herein refers to the general manager, the deputy general manager, chief financial officer, the secretary of the Board of Directors and other senior management appointed by the Board of Directors. The “general manager” as referred in these terms of reference refers to the “manager” as referred in the Company Law.

CHAPTER 1 COMPOSITION

Article 3 The Remuneration Committee shall comprise at least three directors and shall be made up of odd number of members, with a majority (more than half) of the members being independent non-executive directors.

Article 4 The members of the Remuneration Committee shall be nominated by the Board of Directors or the Nomination Committee of the Board of Directors and shall be elected by a majority of all members of the Board of Directors. The chairman and members of the Remuneration Committee shall be appointed and dismissed by the Board of Directors. Members of the Remuneration Committee must satisfy the following conditions:

- (1) are not subject to prohibition on serving as company directors as stipulated in laws and regulations, such as the Company Law, or the Articles of Association;
- (2) are familiar with relevant laws and administrative regulations of the State, have good business ethics and conduct, possess relevant professional knowledge, and are familiar with the Company’s operation and management;

- (3) comply with the principles of honesty and good faith, with integrity and self-discipline, perform duties with loyalty and diligence, protect the interests of the Company and the shareholders through working actively;
- (4) have relatively strong comprehensive analysis and judgement abilities, possess the ability to work independently;
- (5) other conditions as required under other laws, regulations or the Articles of Association.

Persons who do not satisfy the qualifications of appointment as stipulated in the aforesaid items shall not be elected as members of the Remuneration Committee. If the circumstances unfit for appointment as stipulated in the aforesaid items arise during the term of office of a member of the Remuneration Committee, such member shall resign proactively or shall be removed by the Board of Directors of the Company.

Article 5 The Remuneration Committee shall have one convener, being the chairman of the committee, who shall be an independent non-executive director, to be appointed by the Board of Directors, and shall be responsible for presiding over the work of the Remuneration Committee. If the chairman of the committee is unable or fails to perform his duties, an independent non-executive director jointly elected by more than half of the committee members shall perform on his behalf.

Article 6 The main duties and authorities of the chairman of the Remuneration Committee are:

- (1) to preside over meetings of the committee, and sign resolutions of the meeting;
- (2) to propose to convene extraordinary meeting;
- (3) to lead and guide the committee to ensure the effective operation and duty performance of the committee;
- (4) to ensure that each issue discussed by the committee will have clear and definite conclusion (conclusion includes approval, rejection or re-discussion with supplementary materials);
- (5) to determine the agenda of each meeting of the committee;
- (6) to ensure that all members attending the meeting of the committee understand the matters being discussed by the committee, and to ensure that the members are provided with complete and reliable information;
- (7) other duties and authorities stipulated in these terms of reference.

Article 7 The term of office of the members of the Remuneration Committee shall be the same as the term of office of the directors. Upon expiration of the term of office of a member, he/she may be re-elected for re-appointment. During the term of office if any member ceases to serve as director or independent director of the Company, or if any member who should possess the capacity of an independent director ceases to have the independence as required under the relevant laws, regulations, regulatory rules and normative documents or the Articles of Association, such member will be disqualified automatically. Members of the Remuneration Committee may resign prior to the expiration of the term of office by submitting a resignation report in writing to the Board of Directors. The resignation report shall explain the reasons of resignation and give the necessary explanations on any matters that are required to be brought to the attention of the Board of Directors of the Company. If the composition of the Remuneration Committee fails to satisfy the requirements as stipulated in Article 3 and Article 4 of these terms of reference, the Board of Directors shall immediately explain in details about the reasons of failing to satisfy the relevant requirements in the form of an announcement according to the requirements of the Hong Kong Listing Rules, and shall rectify the composition within three months from the date of failure to satisfy the aforesaid stipulated requirements according to the provisions of Article 4 to Article 7 of these terms of reference, and the term of office of the refilled members shall end upon expiration of the term of office of such member serving as a director. Before the expiration of the term of office of a member, unless the circumstances unfit for appointment as stipulated in the Company Law, the Articles of Association or the Hong Kong Listing Rules occur, such member shall not be dismissed without a reason.

Article 8 The main duties and authorities of the members are:

- (1) to attend meetings of the committee as scheduled, express opinions on matters discussed in the meetings, and exercise voting rights;
- (2) to propose topics for discussion at the meetings of the committee;
- (3) may attend or sit in the relevant meetings of the Company as observers, conduct investigation and research, and obtain the required relevant information such as reports, documents and materials, for the purpose of performing their duties;
- (4) fully understand the duties of the committee and their own duties as members of the committee, being familiar with the Company's operation and management conditions, business activities and development progress relating to their duties to ensure their duty performance capabilities;
- (5) fully ensure the time and efforts for performing their duties;
- (6) other duties and authorities stipulated in these terms of reference.

CHAPTER 2 DUTIES AND AUTHORITIES

Article 9 The primary duties and authorities of the Remuneration Committee are:

- (1) to make recommendations to the Board of Directors on the Company's policy and structure for all directors' and senior management members' remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy based on the major responsibility scope, time commitment, importance, and the respective remuneration for relevant positions in comparable companies, as well as the employment conditions for other positions in the Company;
- (2) to review the management's remuneration proposals in light of the corporate policies and objectives set by the Board of Directors;
- (3) to supervise the implementation of the remuneration system of the Company taking into consideration the remuneration paid by comparable companies, time commitment and duties, as well as the terms of employment for other positions within the Group;
- (4) to make recommendations to the Board of Directors on the remuneration packages of individual executive directors and senior management members, which include benefits in kind, pension rights and compensations, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of Directors on the remuneration of non-executive directors;
- (5) the Remuneration Committee may seek independent professional advice when necessary;
- (6) to review and approve the compensations to the executive directors and senior management members for the loss or termination of their positions or appointments in order to ensure that such compensation is consistent with the terms of contract, otherwise the compensation must also be fair and reasonable, not excessive;
- (7) to review and approve the compensation arrangements related to the dismissal or removal of directors due to their misconduct in order to ensure that such arrangements are consistent with the terms of contract, otherwise the compensation must also be reasonable and appropriate;
- (8) to ensure that no directors or any of his/her associate (as defined in the Hong Kong Listing Rules) is involved in the determination of his/her own remuneration; and for a non-executive director who is also a member of the Remuneration Committee, his/her remuneration shall be determined by other members of the Remuneration Committee;
- (9) to review and/or approve matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules;

- (10) to ensure that the share options or awards (if any) granted by the Company to its directors or senior management comply with the provisions of Chapter 17 of the Hong Kong Listing Rules as amended and supplemented from time to time (if applicable), including but not limited to:
- (I) where share options or awards with a vesting period of less than 12 months are granted to directors and/or senior management, to provide opinions on why a shorter vesting period is appropriate and how the grants align with the purpose of the relevant share incentive scheme;
 - (II) where share options or awards are granted to directors and/or senior management without performance targets and/or clawback mechanism, to provide opinions on why performance targets and/or a clawback mechanism is/are not necessary and how the grants align with the purpose of the relevant share incentive scheme.
- (11) the responsibilities and authorities of the Remuneration Committee shall include such responsibilities and authorities as set out in the relevant code provisions of the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules (as amended from time to time); and
- (12) other matters stipulated in laws, regulations, regulatory rules, normative documents, the Articles of Association and these terms of reference, the Hong Kong Listing Rules, and authorized by the Board of Directors.

The remuneration plans or schemes proposed by the Remuneration Committee shall not prejudice the interests of shareholders. The Board of Directors has the power to veto remuneration plans or schemes that are detrimental to the interests of shareholders.

These terms of reference of the Remuneration Committee shall be published on the website of the Hong Kong Stock Exchange and the website of the Company to explain its role and the powers delegated to it by the Board of Directors.

Article 10 The remuneration plans or schemes for the directors of the Company proposed by the Remuneration Committee shall be submitted to the Board of Directors for approval and submitted to the shareholders' meeting for consideration and approval before implementation. The remuneration plans or schemes for senior management of the Company shall be submitted to the Board of Directors for approval. The Remuneration Committee shall be accountable to the Board of Directors and its proposals shall be submitted to the Board of Directors for consideration and approval. The Remuneration Committee shall cooperate with the remuneration activities conducted by the Supervisory Committee.

Relevant departments of the Company shall be obligated to cooperate with the Remuneration Committee and provide relevant materials.

Unless otherwise provided for in the Company Law and the Articles of Association, in accordance with the Hong Kong Listing Rules, service contracts with directors or supervisors that are subject to shareholders' approval include:

- (I) service contracts with a term of over three years; or
- (II) contracts which may not be terminated by the Company unless at least one year's notice is given, or compensation or other amounts equivalent to at least one year's emoluments are paid.

The Remuneration Committee shall make comments on the above service contracts with directors or supervisors that are subject to shareholders' approval, notify shareholders on whether relevant contract terms are fair and reasonable, whether relevant contracts are in the interests of the Company and its shareholders as a whole, and shall put forward opinions on how shareholders (other than those who are directors or supervisors and have a material interest in such service contracts, as well as their associates) should vote.

The management is responsible for providing the Remuneration Committee with sufficient and appropriate information to enable the Remuneration Committee to make decisions with relevant information. The data provided by the management must be complete and reliable.

Article 11 All cases, materials and information considered and discussed by the Remuneration Committee shall be made available to the Board for its study and decision in the form of report, recommendation or summary.

CHAPTER 3 WORKING PROCEDURES

Article 12 The Board Secretary of the Company shall be responsible for liaising and coordinating with relevant departments in providing information on human resources and the personnel being appraised, preparing for meetings of the Remuneration Committee and implementing the resolutions passed by the Board of Directors and the Remuneration Committee.

Article 13 The Company shall provide relevant information to the Remuneration Committee for the performance of its duties:

- (1) information on the division of work of the Company's directors and senior management and the performance of their main duties;
- (2) annual performance appraisal results of directors and senior management;
- (3) the past compensation levels of directors and senior management;
- (4) remuneration plans or schemes proposed in accordance with the performance of the Company;
- (5) all remuneration systems of the Company and their implementation.

The Remuneration Committee performs the main duties under these terms of reference based on the information provided by the Company.

The chairman of the Remuneration Committee or (if absent) member of the Remuneration Committee (who must be an independent non-executive director) shall attend the annual general meeting of the Company and respond to the shareholders' enquiries on the activities and responsibilities related to the Remuneration Committee.

CHAPTER 4 RULES OF PROCEDURES

Article 14 Meetings of the Remuneration Committee shall be classified as regular meetings and extraordinary meetings. Regular meetings shall be held at least once a year. Extraordinary meetings of the Remuneration Committee may be convened by the chairman of the Remuneration Committee as he deems necessary, by the proposal of at least half of the members of the committee or upon recommendation by the chairman of the Board of Directors. The Board Secretary of the Company shall notify all members three days prior to the meeting; however, the notice period may be waived with the unanimous consent of all members. Meetings shall be chaired by the Chairman of the Remuneration Committee. If the Chairman is unable to attend, an independent Director may be appointed to chair the meeting.

Article 15 Meetings of the Remuneration Committee shall be held with the attendance of more than two-thirds of its members (including members who have authorized others in writing to attend on their behalf), and at least one attendee must be an Independent Non-Executive Director. Each member has one vote, and resolutions must be approved by more than half of all members.

Members of the Remuneration Committee shall attend the meetings in person. If a member is unable to attend a meeting for any reason, he/she may appoint another member in writing to attend and vote on his/her behalf. The Power of Attorney shall specify the proxy's name, the matters entrusted, the scope of authorization, and the validity period, and must be signed or sealed by the member. It shall be submitted to the meeting chairman before voting begins. A member who neither attends nor appoints a proxy shall be deemed to have abstained from voting at that meeting.

Article 16 Meetings of the Remuneration Committee may be held in person or through appropriate means such as teleconferencing or videoconferencing.

Resolutions made at the meeting must be approved by more than half of all members and shall be signed by those present. Each member has one vote, which may be cast as "for," "against," or "abstain." In the event of a tie between affirmative and negative votes, the Chairman of the Remuneration Committee shall have one additional casting vote.

Voting may be conducted by a show of hands or by poll. With the unanimous consent of all Committee members, meetings may also be convened by written correspondence, and subsequently confirmed by signatures.

Article 17 When necessary, the Remuneration Committee may invite the Company's directors, supervisors, and other senior executives to attend the meeting. However, non-Committee members shall not have voting rights on the proposals being considered.

Article 18 The Company should provide the Remuneration Committee with sufficient resources to perform its duties. The senior management and relevant departments of the Company shall support and cooperate with the Remuneration Committee, and provide such necessary information as required by the Remuneration Committee while cooperating actively with it. When necessary, the Committee may engage external professional institutions to provide expert opinions for its decision-making, and the reasonable expenses incurred shall be borne by the Company. The Company shall, in accordance with the relevant requirements of the Hong Kong Listing Rules, disclose its remuneration policy for directors in annual report, and disclose the details of remuneration of senior management by band and other remuneration-related matters.

Article 19 In any of the following circumstances, the member of the Remuneration Committee shall make disclosure to the committee in advance, and abstain from the discussion and voting on such issues during the meetings of the Remuneration Committee:

- (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; and
- (3) other circumstances where such member has interests or may affect the member in making objective and fair judgments.

Article 20 The convening procedures, voting methods and resolutions of the Remuneration Committee meetings must be in compliance with the requirements of the relevant laws, regulations, the Articles of Association and these terms of reference.

Article 21 The Remuneration Committee shall keep written minutes of its meetings, which should record in sufficient detail the matters considered and decisions reached at the meetings, including any concerns raised or dissenting views expressed by the directors. Draft and final versions of the minutes of the meetings shall be circulated to all members within a reasonable time after the end of the meetings. The draft versions are for their comment and the final versions are for their record. The minutes of the meetings shall be signed by the members present at the meetings. The minutes shall be kept by the Board Secretary of the Company in accordance with the Company's document management system. The minutes shall be made available for inspection at any reasonable time upon reasonable notice from any Director.

Article 22 Resolutions passed and the corresponding voting results at Remuneration Committee meetings shall be reported to the Company's Board of Directors in writing.

Article 23 Members attending the meeting shall maintain confidentiality regarding the matters discussed. Except as required by applicable laws, regulations and/or regulatory authorities, they shall not disclose any relevant information without authorization, nor may they use such information for personal benefit or engage in insider dealing on behalf of themselves or others. Any violation shall result in full legal liability.

CHAPTER 5 COORDINATION AND COMMUNICATION

Article 24 During intervals between Board meetings, if the Remuneration Committee has any material or special matters that need to be submitted to the Board of Directors for consideration, it may submit a written report to the Board of Directors through the Board Secretary, and may propose the chairperson of our Board to convene a Board Meeting for discussion.

Article 25 Any written report submitted by the senior management to the Remuneration Committee shall be signed by the general manager or the executive officers responsible for relevant matters and submitted to the Remuneration Committee through the Board Secretary.

Article 26 Written reports submitted by the Remuneration Committee to the Board of Directors shall be signed by the Chairman of the Remuneration Committee or another Committee member and submitted through the Board Secretary.

Article 27 During intervals between Remuneration Committee meetings, if the senior management has any material or special matters that need to be submitted to the Remuneration Committee for consideration, it may submit a written report to the Remuneration Committee through the Board Secretary, and may propose the chairperson of the Remuneration Committee to convene a meeting for discussion.

Article 28 The Chairman of the Remuneration Committee, or a member authorized by him/her, shall report to the Board of Directors on the work of the Remuneration Committee since the last regular Board meeting or provide a special report on specific matters.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 29 Unless otherwise specified, the terms used in these terms of reference shall have the same meanings as those defined in the Company's Articles of Association. The term "independent Director" in these terms of reference shall have the same meaning as "independent non-executive director" under the Hong Kong Listing Rules.

Article 30 These terms of reference shall take effect upon approval by the Board of Directors and shall become effective on the date the Company's overseas-listed shares (H Shares) are listed on the Hong Kong Stock Exchange. Any amendments to these terms of reference shall take effect upon approval by the Board of Directors.

Article 31 Any matters not covered in these terms of reference shall be implemented in accordance with relevant national laws and regulations, the Hong Kong Listing Rules, and the Company's Articles of Association. In the event of any inconsistency between these terms of reference and relevant national laws and regulations, the Hong Kong Listing Rules, or the Articles of Association, the latter shall prevail, and necessary amendments shall be made promptly and submitted to the Board of Directors for consideration and approval.

Article 32 The right to interpret these terms of reference resides with the Board of Directors of the Company.