

Sunshine Lake Pharma Co., Ltd.

Terms of Reference of the Remuneration and Appraisal Committee of the Board of Directors

Chapter 1 General Provisions

Article 1 In order to further establish a sound administration system of appraisal and remuneration for directors and senior management of Sunshine Lake Pharma Co., Ltd. (the “Company”) and to improve its corporate governance structure, and pursuant to the relevant provisions of the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and other local and overseas regulations for listed companies, as well as the Articles of Association of Sunshine Lake Pharma Co., Ltd. (the “Articles of Association”) which came into effect after the listing of the Company’s H shares, and the provisions of other laws, regulations and regulatory documents, the Company has set up the remuneration and appraisal committee (the “Remuneration and Appraisal Committee”) of the board of directors of the Company (the “Board of Directors”) and formulated these terms of reference.

Article 2 As a specific working body set up by the Board of Directors in accordance with the Articles of Association, the Remuneration and Appraisal Committee shall, within its authorities, formulate the remuneration plans, performance appraisal systems and incentive plans for directors and senior management and make recommendations to the Board of Directors. The Remuneration and Appraisal Committee shall report its work to the Board of Directors and be responsible to the Board of Directors.

The senior management referred to in these terms of reference are general manager, deputy general manager, chief financial officer, secretary of the Board of Directors and other senior management recognized by the Board of Directors.

Chapter 2 Composition

Article 3 The Remuneration and Appraisal Committee shall comprise at least three directors, the majority of whom shall be independent non-executive directors.

Article 4 The members and chairman of the Remuneration and Appraisal Committee shall be nominated by the chairman of the Board of Directors, more than half of the independent non-executive directors or more than one-third of all directors for election by the Board of Directors.

Article 5 The Remuneration and Appraisal Committee shall have a chairman who shall be a member and also an independent non-executive director. The chairman of the Remuneration and Appraisal Committee shall be responsible for leading the work of the Remuneration and Appraisal Committee. The chairman shall be elected by the Board of Directors.

The chairman of the Remuneration and Appraisal Committee is responsible for convening and presiding over the meetings of the Remuneration and Appraisal Committee. Where the chairman of the Remuneration and Appraisal Committee is unable or fails to perform his/her duties, he/she shall designate another member to perform duties on his/her behalf. In the event that the chairman neither performs his/her duties nor designates another member to perform duties on his/her behalf, any member may report the situation to the Board of Directors, and the Board of Directors shall then appoint a member to perform the duties of the chairman of the Remuneration and Appraisal Committee.

Article 6 The term of office of the Remuneration and Appraisal Committee shall be the same as that of the Board of Directors. A member may serve consecutive terms if re-elected upon expiry of his/her term. During his/her term of office, if any member no longer holds the position as a director of the Company or any member who shall be an independent non-executive director ceases to have the independence as stated in the Listing Rules, he/she shall automatically lose his/her position as a member, and the vacancy shall be filled by the Board of Directors in accordance with the provisions of Articles 3 to 5 above. No members shall, before the expiration of his/her term of office, be removed from office without reason except for the circumstances that require dismissal as stipulated in the laws and regulations, the Articles of Association or these terms of reference. A member may submit resignation to the Board of Directors prior to the expiration of his/her term of office. Such resignation letter shall specify the reasons for the resignation and any matters which need to be brought to the attention of the Board of Directors. If the number of members of the Remuneration and Appraisal Committee 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 of Directors.

Article 7 A member of the Remuneration and Appraisal Committee may concurrently serve as a member of other special committees under the Board of Directors if he/she is capable of performing his/her duties. The Remuneration and Appraisal Committee shall have a working team to provide the operation information of the Company and the relevant information of personnel being appraised, and to prepare for meetings of and implement the resolutions passed by the Remuneration and Appraisal Committee.

Chapter 3 Duties and Authorities

Article 8 The Remuneration and Appraisal Committee shall consult the chairman of the Board of Directors and/or general manager on the remuneration proposals of other executive directors. The Remuneration and Appraisal Committee may seek independent professional advice when necessary.

Article 9 The principal duties and authorities of the Remuneration and Appraisal Committee include determine the criteria for the selection and appointment, remuneration plans, and assessment criteria of directors and senior management of the Company, and conduct appraisal and make recommendations to the Board of Directors. Such duties and authorities shall at least include:

- (I) to advise the Board of Directors on the remuneration policy and structure of all directors and senior management of the Company and on the establishment of formal and transparent procedures for developing such remuneration policy;
- (II) to review and approve the management's remuneration proposals with reference to the corporate goals and objectives of the Board of Directors;
- (III) to advise the Board of Directors on the remuneration packages of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);
- (IV) to advise the Board of Directors on the remuneration of non-executive directors;
- (V) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

- (VI) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms or is otherwise fair, reasonable and not excessive;
- (VII) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms or are otherwise reasonable and appropriate;
- (VIII) to review and/or approve matters relating to the share schemes under Chapter 17 of the Listing Rules;
- (IX) to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration;
- (X) regarding director service contracts requiring shareholders' approval (such as contracts with a term of more than three years or arrangements involving termination payments of more than one year's remuneration), to provide opinions on the fairness and reasonableness of the contract terms, as well as whether they are in the interests of the Company and shareholders as a whole, and to advise shareholders on how to vote accordingly; and
- (XI) other duties required under applicable regulatory rules and other matters authorized by the Board of Directors.

Article 10 If necessary, the Remuneration and Appraisal Committee may engage external intermediary institutions or experts to provide it with independent professional advice. The reasonable expenses arising therefrom shall be borne by the Company. The Company shall provide the Remuneration and Appraisal Committee with sufficient resources to ensure that it performs its duties.

Article 11 The Remuneration and Appraisal Committee shall make its terms of reference publicly available on the website of The Stock Exchange of Hong Kong Limited and the Company's website, explaining its role and the authority delegated to it by the Board of Directors.

Chapter 4 Decision-making Procedures

Article 12 The working group is responsible for the preliminary preparations for the meetings of the Remuneration and Appraisal Committee, collecting and providing relevant written materials, mainly including:

- (I) status of achievement of major financial indicators and operating goals of the Company;
- (II) scope of work and performance of main duties of senior management of the Company;
- (III) information on the fulfillment of targets involved in the work performance assessment system of directors and senior management of the Company;
- (IV) operational performance of business innovation and profit-making capability of directors and senior management of the Company;

- (V) basis for relevant measurement and calculation adopted in the proposed formulation of remuneration distribution plans and distribution methods of the Company according to the results of the Company; and
- (VI) other documents or information required by the Remuneration and Appraisal Committee for the performance of its duties.

Article 13 The procedures for appraising directors and senior management adopted by the Remuneration and Appraisal Committee are as follows:

- (I) the directors and senior management of the Company shall report their work and conduct self-evaluation to the Remuneration and Appraisal Committee under the Board of Directors;
- (II) the Remuneration and Appraisal Committee shall conduct performance appraisals on the directors and senior management according to the standards and procedures for performance appraisal;
- (III) the Remuneration and Appraisal Committee shall propose the remuneration amount and form of reward for the directors and senior management according to the performance appraisal results and remuneration distribution policy, and shall report the same to the Board of Directors after they are passed by voting.

Chapter 5 Rules of Procedures for Meetings

Article 14 The Remuneration and Appraisal Committee shall hold meetings at least once annually and convene additional meetings as needed based on work requirements. Unless otherwise agreed or exempted, the secretary of the Remuneration and Appraisal Committee shall notify all members at least seven days prior to the meeting. The chairman shall convene and preside over the meeting. Where the chairman is unable to attend, he/she may delegate another member (who must be an independent non-executive director) to convene and preside over the meeting.

The members of the Remuneration and Appraisal 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 Remuneration and Appraisal 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. A member may only authorize one other member as proxy to exercise voting rights on his/her behalf each time. If two or more members are authorized to exercise voting rights on his/her behalf, the authorization shall be invalid.

Article 15 A meeting of the Remuneration and Appraisal Committee shall be held only when more than two-thirds of the members (including the members who have appointed other members in writing to attend the meeting on their behalf) are present; each member shall have one vote; resolutions made at the meeting must be passed by a majority of all members. If a member of the Remuneration and Appraisal Committee is interested in any matter being considered by the Remuneration and Appraisal Committee, such member shall refrain from the consideration of such matter. If a valid resolution cannot be reached due to abstention of any member, the relevant matter shall be considered directly by the Board of Directors.

Article 16 Members shall vote at the meetings of the Remuneration and Appraisal Committee by the show of hands or by written votes. Meetings of the Remuneration and Appraisal Committee may be convened by way of on-site meetings, teleconferences, video conferences, circulation of documents, facsimile, email and other appropriate means.

Article 17 When necessary, other directors, supervisors, senior management and external advisors of the Company may be invited to attend meetings of the Remuneration and Appraisal Committee. Such persons being invited shall give explanations and elaborations on relevant matters at the request of the member(s) of the Remuneration and Appraisal Committee.

Article 18 When the meeting of the Remuneration and Appraisal Committee discusses a topic related to the members of the Remuneration and Appraisal Committee, the interested members shall abstain from the discussion.

Article 19 The convening procedures and voting methods of the meetings of the Remuneration and Appraisal Committee and the remuneration policies and distribution plans adopted at the meetings shall comply with requirements under relevant laws, regulations, the Articles of Association and these terms of reference.

Article 20 Minutes shall be kept for the meetings of the Remuneration and Appraisal Committee. The members attending the meeting shall sign the minutes. The members of the Remuneration and Appraisal Committee shall explicitly, independently and fully express their opinions based on their judgments. In the case of any different opinions, such different opinions shall be stated in the minutes to be presented to the Board of Directors. Minutes shall be kept by the Company secretary.

Article 21 Resolutions passed at the meetings of the Remuneration and Appraisal Committee shall be reported to the Board of Directors in writing.

Article 22 Members present at a meeting shall be obliged to keep all matters discussed at such meeting confidential, and shall not disclose any relevant information without authorization.

Article 23 The Company secretary shall act as the secretary of the Remuneration and Appraisal Committee. In the absence of the secretary of the Remuneration and Appraisal Committee, the members present at the meeting of the Remuneration and Appraisal Committee shall appoint another person to act as secretary.

Chapter 6 Supplementary Provisions

Article 24 Unless otherwise specified, the terms used herein shall have the same meanings ascribed to them in the Articles of Association. These terms of reference are written in Chinese. If there is any inconsistency between the English and Chinese versions of these terms of reference, the Chinese version shall prevail.

Article 25 In these terms of reference, the scope “above” a number shall include the number itself while the scope “more than” a number shall exclude the number itself.

Article 26 These terms of reference have been approved by the Board of Directors and shall come into effect upon the listing of the Company’s H shares on The Stock Exchange of Hong Kong Limited.

Article 27 Any matters not covered by these terms of reference or in any event that these terms of reference contravene any laws, regulations, regulatory documents, the Listing Rules and other relevant regulatory rules of the listing place and the Articles of Association, the provisions of the aforementioned laws, regulations, regulatory documents, the Listing Rules and other relevant regulatory rules of the listing place and the Articles of Association shall prevail. These terms of reference shall be amended immediately and submitted to the Board of Directors for approval.

Article 28 These terms of reference shall be formulated, amended and interpreted by the Board of Directors.