

Shandong Xinhua Pharmaceutical Co., Ltd.

(a joint stock company established in the
People's Republic of China with limited liability)
(Stock Code: 00719)
(the “**Company**”)

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

(These terms of reference have been prepared in both Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.)

Approved by the Board of Directors (the “**Board**”) of the Company on 7 June 2002 and last amended and adopted on 31 December 2025.

Chapter 1 - General Provisions

- Article 1.** The Company shall establish the Remuneration and Appraisal Committee (the “**Remuneration and Appraisal Committee**”) under the Board.
- Article 2.** The terms of reference of the Remuneration and Appraisal Committee shall be in accordance with the Company Law of the People's Republic of China (the “**PRC**”), the Code of Governance for Listed Companies (PRC), Measures for the Administration of Independent Directors of Listed Companies (PRC), the Articles of Association, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and other relevant provisions.
- Article 3.** The remuneration policy and arrangements approved by the Remuneration and Appraisal Committee shall conform with the relevant laws and regulations and the requirements of the Articles of Association.
- Article 4.** In these terms of reference, “**Directors**” means directors of the Board of the Company, and “**Senior Management**” means the General Manager and Deputy General Manager(s), Secretary of the Board, the senior officers as stated in the Company's Annual Report, and other senior management appointed by the Board upon recommendation of the General Manager.

Chapter 2 - Members

- Article 5.** The Remuneration and Appraisal Committee shall comprise four to six Directors of the Company, with at least half of the members independent non-executive Directors (“**INEDs**”).
- Article 6.** Members of the Remuneration and Appraisal Committee shall be nominated by the chairman of the Board, or by more than half of the INEDs, or by not less than one third of all the Directors

of the Board, and elected by the Board.

Article 7. The convenor of the Remuneration and Appraisal Committee shall be an INED, responsible for providing leadership of the work of the Remuneration and Appraisal Committee, and appointed by the Company's Board.

Article 8. The convenor of the Remuneration and Appraisal Committee shall:

- (1) convene and chair the Remuneration and Appraisal Committee meetings;
- (2) review and sign important documents of the Remuneration and Appraisal Committee;
- (3) review the implementation status of resolutions of the Remuneration and Appraisal Committee;
- (4) on behalf of the Remuneration and Appraisal Committee report to the Board its work; and
- (5) carry out other duties undertaken by a convenor of the Remuneration and Appraisal Committee.

Article 9. The term of office of a member of the Remuneration and Appraisal Committee shall be the same as that of the term of office of a Director of the Board. A member of the Remuneration and Appraisal Committee whose term of office ends may hold a consecutive term upon re-election. During the term, if a member is no longer a Director of the Company, such member will automatically be disqualified from office as a member of the Remuneration and Appraisal Committee and the Board shall elect qualified Directors to fill the vacancy according to Articles 4, 5 and 6 of these terms of reference. Before the Board fills the vacancy(ies) in the number of Remuneration and Appraisal Committee members in a timely manner, the incumbent members shall continue to perform their relevant duties.

Article 10. Members of the Remuneration and Appraisal Committee shall:

- (1) be familiar with the operation and management of the Company and the relevant laws and regulations applicable to the Company;
- (2) act in good faith, be honest, self-disciplined and devoted to his duties, and work proactively to safeguard the interests and rights of the Company and its shareholders;
- (3) have appropriate and relevant knowledge, expertise and experience concerning remuneration policies and practices;
- (4) keep confidential all information considered at the meetings of Remuneration and Appraisal Committee and shall not disclose any Company information except for compliance with legal requirements or with the consent of shareholders' general meeting and the Board;
- (5) be responsible for the compliance and accuracy of the contents of the documents or reports submitted to the Board.

Article 11. The administration office of the Remuneration and Appraisal Committee shall be the administration office of the Board. The administration office of the Board shall be responsible for the day-to-day affairs of Remuneration and Appraisal Committee.

Chapter 3 - Working Group

Article 12. A working group (the “**Working Group**”) shall be established under the Remuneration and Appraisal Committee. The head of the Working Group shall be the deputy general manager for human resources.

Article 13. The Working Group shall specifically be responsible preparatory work prior to decision-making of the Remuneration and Appraisal Committee and providing information in relation to the business and the person to be appraised, and implementing relevant resolutions of the Remuneration and Appraisal Committee. The information to be provided by the Working Group include:

- (1) information regarding the extent to which the Company meets its key financial targets and operating targets;
- (2) information regarding the work distribution and main responsibilities of the Senior Management;
- (3) information regarding the extent to which the Directors and Senior Management respectively meet their targets in their respective appraisals; and
- (4) operating performance information regarding the capability of Directors and Senior Management in creating new businesses and increasing profits;

Chapter 4 - Meetings

Article 14. The Remuneration and Appraisal Committee shall meet as and when necessary or as requested by any Committee member. The Remuneration and Appraisal Committee shall hold a regular meeting (“the “**Regular Meeting**”) at least once a year.

Article 15. At the Regular Meeting, the Remuneration and Appraisal Committee shall:

- (1) review the implementation status of the evaluation, appraisal and incentive proposal of Directors and Senior Management during the last reporting year;
- (2) propose incentive arrangements for Directors and Senior Management based on the Company’s actual performance;
- (3) consider and propose the remuneration and appraisal arrangements for the next year; and
- (4) consider any other remuneration and appraisal matters requiring the attention of the Remuneration and Appraisal Committee.

Article 16. The meeting time, venue and proposed major items on the agenda shall be sent by facsimile, courier or registered post or hand delivery to members of the Remuneration and Appraisal Committee ten days (for Regular Meeting) or two days (for ad hoc meeting) in advance of such meeting.

Article 17. A member of the Remuneration and Appraisal Committee who cannot attend the meeting may

authorise another member of the Remuneration and Appraisal Committee to act on his behalf at the meeting. Such authorisation should state the name of the person authorized to act, the subject matter and scope of authorization, validity period, and be signed by the authorising Remuneration and Appraisal Committee member. The Remuneration and Appraisal Committee will propose to the Board to replace any Remuneration and Appraisal Committee member who has not attended two consecutive committee meetings and has not authorised any person to act on his behalf at such meetings.

- Article 18.** The convenor of the Remuneration and Appraisal Committee shall act as chairman of a meeting. In the absence of the convenor of the Remuneration and Appraisal Committee, the remaining members of the Remuneration and Appraisal Committee present shall elect one of themselves who is an INED to chair the meeting.
- Article 19.** A quorum for the Remuneration and Appraisal Committee meeting shall be at least two thirds of the members.
- Article 20.** Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.
- Article 21.** Resolutions of the Remuneration and Appraisal Committee shall be passed by more than half of the votes cast by a show of hands or by voting ballots.
- Article 22.** Each member of the Remuneration and Appraisal Committee has one vote.
- Article 23.** A resolution in writing signed by all the members shall be as valid and effectual as if it had been passed at a meeting of the Remuneration and Appraisal Committee duly convened and held.
- Article 24.** The head of the Working Group who is not a Director may attend the Remuneration and Appraisal Committee meeting. Where necessary, the Company's Directors, Senior Management may be invited to attend the meeting.
- Article 25.** The process of convening a Remuneration and Appraisal Committee meeting, the voting method and resolutions passed at such meeting shall comply with the laws, regulations, the Company's Articles of Association and these terms of reference.
- Article 26.** Secretary of the Board shall act as secretary of the Remuneration and Appraisal Committee.
- Article 27.** Minutes shall record meeting time, venue, name of chairperson, names of members attending, matters considered, deliberation process, and voting results (voting results should clearly indicate the number of votes for, against or abstain). Members who attended the meeting should sign on the meeting minutes.
- Article 28.** Meeting materials including the minutes of the meetings of the Remuneration and Appraisal Committee shall be kept by the secretary of the Board for at least ten years.
- Article 29.** Members of the Remuneration and Appraisal Committee are obliged to keep the proceedings of meetings of the Remuneration and Appraisal Committee confidential and should not disclose any such information without authorisation.
- Article 30.** The Company will bear the reasonable expenses of Directors incurred in the course of carrying out his

duties as member of the Remuneration and Appraisal Committee.

Chapter 5 - Authority

- Article 31.** The Remuneration and Appraisal Committee is authorised by the Board with the main responsibilities of formulating the Company's evaluation and appraisal criteria for Directors and Senior Management as well as conducting such evaluation and appraisal; and developing and reviewing the remuneration policy and arrangements of Directors and Senior Management and submit them to the Board for approval.
- Article 32.** The Remuneration and Appraisal Committee is authorised by the Board, at the Company's expense, to appoint independent professional advisers or consultants with relevant experience and expertise to assist the Remuneration and Appraisal Committee in the discharge of its duties set out in these terms, and to secure the attendance of such professional advisers or consultants at its meetings if it considers it necessary.
- Article 33.** The Remuneration and Appraisal Committee is authorised to require management of the Company to provide it with such resources as may be necessary for it to discharge its duties as set out in these terms.
- Article 34.** The Remuneration and Appraisal Committee should be provided with sufficient resources to perform its duties.
- Article 35.** The service contracts and remuneration proposal for the Company's Directors as recommended by the Remuneration and Appraisal Committee has to be approved by the Board and submitted for the shareholders' general meeting for approval before it can be implemented. The service contracts and remuneration proposed for the Senior Management as recommended by the Remuneration and Appraisal Committee has to be approved by the Board.

Chapter 6 - Duties, Powers and Functions

- Article 36.** The duties of the Remuneration and Appraisal Committee shall be to :
- (1) consult the chairman of the Board and/or the chief executive of the Company (where applicable) about their remuneration proposals for other executive Directors and Senior Management. The Remuneration and Appraisal Committee should have access to independent professional advice if necessary;
 - (2) make recommendations to the Board on the Company's remuneration, incentives and disciplinary policy and structure for all Directors and Senior Management and on the establishment of a formal and transparent procedure for developing such a policy. Remuneration levels should be sufficient to attract and retain Directors and Senior Management to run the Company successfully without paying more than necessary;
 - (3) determine the framework and criteria for assessing performance of Directors and Senior Management and review the status of Directors and Senior Management in carrying their respective duties and conduct annual appraisals;
 - (4) formulate the Company's "Appraisal and Evaluation Scheme for Directors" and its detail

rules;

- (5) formulate the Company's "Appraisal, Reward and Incentive Scheme for Senior Management" and its detail rules;
- (6) monitor the implementation of the remuneration, incentives and disciplinary policy;
- (7) review and approve the management's performance-based remuneration proposals with reference to the Board's corporate goals and objectives and market conditions;
- (8) determine, with delegated responsibility from the Board, the remuneration packages (including benefits in kind, tangible benefits, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) of all executive Directors and Senior Management or make recommendations to the Board on the remuneration packages of all executive Directors and Senior Management;
- (9) make recommendations to the Board on the remuneration packages of non-executive Directors;
- (10) consider factors including salaries paid by comparable companies, time commitment and responsibilities of Directors, employment conditions elsewhere in the group, and whether remuneration should be based on performance;
- (11) 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 and is fair, not excessive or would not create a heavy burden on the Company, if the compensation is not consistent with contractual terms, the compensation must still be fair, reasonable, and not excessive;
- (12) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are reasonable and appropriate, if the compensation is not consistent with contractual terms, the relevant compensation must still be reasonable and appropriate;
- (13) ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- (14) conduct analysis of the implementation of the Company's remuneration structure and the short-, medium- and long-term incentive scheme and make recommendations and plans for improvements;
- (15) oversee, review and approve the management and implementation of the Company's option or share schemes (including the relevant schemes as set out under Chapter 17 of the Listing Rules) as authorised;
- (16) ensure the remuneration details of the Directors and Senior Management are disclosed in the Company's annual report and review the report of the Remuneration and Appraisal Committee in the Company's annual report for the Board's approval;
- (17) make recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed; and

- (18) consider and carry out matters as stipulated by the laws, administrative regulations, the regulations of the China Securities Regulatory Commission, the Articles of Association and any other matters the Board may delegate from time to time.

Article 37. The Remuneration and Appraisal Committee's evaluation and appraisal process for Directors and Senior Management will entail the following:

- (1) debrief of work and self evaluation by the Directors and Senior Management to the Remuneration and Appraisal Committee;
- (2) appraisal of the performance of the Directors and Senior Management by the Remuneration and Appraisal Committee based on the appraisal criteria and process; and
- (3) determine the proposed remuneration amount and incentive arrangements based on individual performance appraisal results and remuneration distribution policy for approval at the Remuneration and Appraisal Committee's meeting and recommend the same to the Board.

Article 38. In carrying its duties, the Remuneration and Appraisal Committee may adopt the following measures to address relevant issues:

- (1) notify the Board orally or in writing requesting remedial measures;
- (2) requesting verification by the Company's departments;
- (3) make recommendations to the Board on removal or dismissal of the Company's Senior Management who breaches law, administrative regulations, Articles of Association or harms the Company's interests.

Article 39. In carrying its duties, the Remuneration and Appraisal Committee shall ensure that no Director or any of his/ her associates is involved in any decision as to the Director's own remuneration or other arrangements.

Chapter 7 - Reporting

Article 40. The Remuneration and Appraisal Committee shall report directly to the Board and submit to the Board its work report at least once a year.

Article 41. The work report shall include at least the following:

- (1) determination of the policy for the remuneration of executive Directors performed by the remuneration committee;
- (2) approval and review of the terms of executive Directors' service contracts;
- (3) the status of evaluation and appraisal of the Directors and Senior Management;

- (4) the remuneration of Directors and Senior Management during the reporting period;
- (5) analysis and assessment of the Directors' and Senior Management's incentive scheme and its implementation; and
- (6) any other matters to report as requested by the Board.

Article 42. Resolutions passed by the Remuneration and Appraisal Committee and voting results should be reported to the Board in writing.

Article 43. The convenor of the Remuneration and Appraisal Committee should attend annual general meetings to answer any shareholder's questions.

Chapter 8 – Supplementary Provisions

Article 44. The terms of reference of the Remuneration and Appraisal Committee will be posted on the website of the Company and the website of The Stock Exchange of Hong Kong Limited and other media or websites where disclosure of information is required.

Article 45. In the event of any conflict between these terms of reference and the laws, administrative regulations, normative documents, or securities regulatory rules of the jurisdiction where the Company's shares are listed as may be promulgated from time to time, the provisions of such laws, administrative regulations, normative documents, and securities regulatory rules of the jurisdiction where the Company's shares are listed shall prevail.

Article 46. These terms of reference shall be established, amended, and interpreted by the Board, and shall take effect from the date of approval by the Board.