

*In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.*

## **Modern Chinese Medicine Group Co., Ltd.**

**現代中藥集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1643)**

### **TERMS OF REFERENCE OF THE NOMINATION COMMITTEE**

#### **DEFINITIONS**

1. For the purposes of these terms of reference (these “**Terms**”):

**Articles** means the articles of association of the Company.

**Board** means the board of directors of the Company.

**Company** means Modern Chinese Medicine Group Co., Ltd. 現代中藥集團有限公司.

**Company Secretary** means the company secretary of the Company.

**Directors** means the directors of the Company.

**Group** means the Company and its subsidiaries.

**Listing Rules** means the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time).

**Nomination Committee** or **Committee** means the nomination committee established by the resolutions of the Board in accordance with clause 2 of these Terms.

**Senior Management** means the chief executive officer and any other senior officers of the Company appointed by the Board from time to time; and any other employees of the Company as may be determined by the Company’s Remuneration Committee as part of senior management.

**Shareholders** means the shareholders of the Company.

**Stock Exchange** means The Stock Exchange of Hong Kong Limited.

#### **CONSTITUTION**

2. The Nomination Committee was established by resolutions of the Board on 18 December 2020.

## **MEMBERSHIP**

3. The members of the Nomination Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members, a majority of whom should be independent non-executive Directors. The quorum of a Nomination Committee meeting shall be any two members of the Nomination Committee one of whom must be independent non-executive Director. Any resolution of the Nomination Committee at a Nomination Committee meeting shall be approved by a majority (including the affirmative vote of the chairman of the Nomination Committee) of the members of the Nomination Committee who attend and vote at the meeting. In the event of an equality of votes, the chairman of the Nomination Committee shall have a casting vote in addition to any other vote he or she may have. Alternatively, decision of Nomination Committee may be approved by way of a written resolution signed unanimously by every member of the Nomination Committee.
4. The Nomination Committee shall be chaired by the chairman of the Board or an independent non-executive Director.
5. The appointment of the members of the Committee may be revoked, replaced or additional members may be appointed to the Committee by resolutions passed by the Board. An appointment of Committee member shall be automatically revoked if such member ceases to be a member of the Board. For the avoidance of doubts, Committee members may be removed from the Committee by the Board at its sole and absolute discretion.

## **FREQUENCY AND PROCEDURE OF MEETINGS**

6. Unless otherwise stated herein, the meetings are governed by the provisions contained in the Articles for regulating the meeting and proceedings of Directors.
7. Meetings shall be held not less than once a year. The chairman of the Nomination Committee shall convene a meeting upon request by any member of the Nomination Committee.
8. An agenda and accompanying board papers should be sent in full to all Directors in a timely manner and at least three days before the intended date of a meeting of the Nomination Committee (or other agreed period).
9. The Senior Management is obliged to supply to the Nomination Committee with adequate information in a timely manner, in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where a Director requires more information than information provided voluntarily by the Senior Management, the relevant Director should make additional necessary enquiries. The Board and each Director shall have separate and independent access to the Senior Management.
10. The Company Secretary or his/her appointed delegate shall be the secretary of the Nomination Committee.
11. A resolution in writing signed by all the Committee members shall be as valid and effectual as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the Committee members.

## **ANNUAL GENERAL MEETING**

12. The chairman of the Nomination Committee shall attend the annual general meeting and be prepared to respond to any Shareholder's questions on the Nomination Committee's activities.
13. If the chairman of the Nomination Committee is unable to attend an annual general meeting of the Company, he/she shall arrange for another member of the Nomination Committee, or failing this, his/her duly appointed delegate, to attend in his/her place. Such person shall be prepared to respond to any Shareholder's questions on the Nomination Committee's activities.

## **AUTHORITY**

14. The Nomination Committee is authorized by the Board to investigate any activity within these Terms. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Nomination Committee.
15. The Nomination Committee should seek independent professional advice to perform its responsibilities, at the Company's expense, if it considers necessary. The Nomination Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external consultant who advises the Nomination Committee.

## **DUTIES**

16. The Company should provide the Committee sufficient resources to perform its duties. The duties of the Nomination Committee shall include:
  - (a) reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
  - (b) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive;
  - (c) identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship, taking into account the following factors:
    - (i) the individual's skill, care and diligence; and
    - (ii) the individual's prior work experience;
  - (d) assessing the independence of independent non-executive Directors and ensuring that the numbers of independent non-executive Directors must represent at least one-third of the Board and at least one of the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise;

- (e) before appointments are made by the Board, evaluating the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation preparing a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Nomination Committee shall (where applicable and appropriate):
  - (i) use open advertising or the services of external advisers to facilitate the search;
  - (ii) consider candidates from a wide range of backgrounds; and
  - (iii) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
- (f) keeping under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organization to compete effectively in the marketplace;
- (g) developing and maintaining a board diversity policy and making recommendations on any proposed changes to the Board, as appropriate, to ensure it remains relevant to the Company's needs and reflects current regulatory requirements and good corporate governance practices and to making disclosure of its review results in the Corporate Governance Report annually;
- (h) keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates; and
- (i) ensuring that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.

17. The Nomination Committee shall also make recommendations to the Board concerning:

- (a) the role, responsibilities, capabilities, skills, knowledge, experience and diversity of perspectives required from members of the Board;
- (b) formulating plans for succession for both executive and non-executive Directors;
- (c) suitable candidates for the role of independent non-executive Directors;
- (d) the policy on the terms of employment of non-executive Directors;
- (e) membership of the Company's audit and remuneration committees, in consultation with the chairmen of those committees;
- (f) the re-appointment of any non-executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- (g) the continuation (or not) in service of any director who has reached the age of 70;

- (h) the re-election by shareholders of any Director under the “retirement of directors” provisions in the Company’s articles of association having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- (i) any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an executive Director as an employee of the company subject to the provisions of the law and their service contract; and
- (j) the appointment of any Director to executive or other office.

## **REPORTING PROCEDURES**

- 18. Full minutes of the Nomination Committee’s meetings should be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary or his/her appointed delegate). Once the minutes are signed, the secretary shall circulate the minutes and reports of the Committee to all members of the Board. The minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.
- 19. Minutes of meetings of the Nomination Committee shall record in sufficient detail the matters considered by the Nomination Committee and decisions reached, including any concerns raised by Directors, members or dissenting views expressed. Draft and final versions of minutes should be sent to all members of the Nomination Committee for their comment and records respectively, within a reasonable time after such meetings.
- 20. Without prejudice to the generality of the duties of the Nomination Committee set out above, the Nomination Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on it to do so.

## **PROVISION OF TERMS OF REFERENCE**

- 21. The Nomination Committee shall make available these Terms on request and by inclusion on the Stock Exchange’s website and the Company’s website, thereby explaining its role and the authority delegated to it by the Board.

## **APPROVAL OF DISCLOSURE STATEMENTS**

- 22. The Nomination Committee shall be responsible for approving all disclosure statements in relation to the Nomination Committee, including but not limited to relevant disclosure statements in annual reports, interim reports and information uploaded on the Stock Exchange’s website and the Company’s website.

## **REVIEW OF TERMS**

- 23. The Nomination Committee shall review these Terms annually, and may consider and submit to the Board any proposed changes that the Nomination Committee deems appropriate or advisable.

## **POWERS OF THE BOARD**

24. The Board may, subject to compliance with the Articles and the Listing Rules (including the Corporate Governance Code set out in Appendix 14 to the Listing Rules or if adopted by the Company, the Company's own code of corporate governance practices), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments or supplements to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended, supplemented or revoked.

## **PUBLICATION OF THESE TERMS**

25. The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the website of the Company and on the website of the Stock Exchange.