



CHINA MEDICAL SYSTEM HOLDINGS LIMITED

康哲藥業控股有限公司*

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 867)

The Remuneration Committee Terms of Reference

(Revised and effective since 31 July 2020)

The remuneration committee (the “**Committee**”) of China Medical System Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) was established in accordance with the resolution passed by the Company’s board of directors (the “**Board**”) in 2007. The terms of reference of the Committee (the “**Terms of Reference**”) were revised by the Board on 31 July, 2020. The Terms of Reference are available in English and Traditional Chinese, and the Traditional Chinese version is a translated version for reference only.

1. Composition

- 1.1 The Committee is appointed by the Board from its directors (the “**Director(s)**”). The Committee has at least three members (the “**Member(s)**”), and most of the Members must be independent non-executive Directors.
- 1.2 The chairman of the Committee is appointed by the Board and must be an independent non-executive Director.
- 1.3 All Members are appointed and dismissed by the Directors themselves. The Board may change the composition of the Committee in response to the Listing Rules of the Stock Exchange of Hong Kong Limited (“**Listing Rules**”) as amended from time to time or the rules of any other exchange where the Company’s shares are listed or seeking listing, or other laws, regulations and rules recognized by the applicable regulatory authority from time to time.
- 1.4 The company secretary of the Company or its authorized representative is the secretary to the Committee (the “**Secretary to the Committee**”).

**For identification purpose only*

2. Meeting Proceedings

- 2.1 The quorum for meetings of Committee is two Members.
- 2.2 The Committee shall meet at least once a year, and additional meetings may be held when circumstances require it.
- 2.3 The meeting can be attended by Members in person, or by telephone or video.
- 2.4 Upon the invitation of the Committee, the chairman of the Board and/or executive Directors, external advisors and other persons may be invited to attend the meeting.
- 2.5 Only Members present at the meeting can be counted as a quorum and have the right to vote. Each Member has one vote, and the Committee's resolution at any meeting must be passed by a majority of the Members present. The written resolution signed by all Members shall have the same legal effect as the resolution passed at a legally convened and held meeting of the Committee.
- 2.6 The chairman or if the chairman is vacant, another Member (must be an independent non-executive Director) should attend the Company's annual general meeting and be prepared to answer questions from shareholders about the activities and duties of the Committee.

3. Authority

- 3.1 All employees and professional consultants of the Group are required to provide the information required by the Committee to perform its duties, prepare and submit reports, attend meetings of the Committee and answer related questions.
- 3.2 Seek legal or other independent professional advice (including independent human resources consulting companies or other independent professionals) on related matters in accordance with the Terms of Reference.

4. Duties

- 4.1 The Committee should make recommendations to the Board on the overall remuneration policy and structure of the Company's Directors and senior management, and the establishment of formal and transparent procedures.
- 4.2 Review and approve the management's remuneration proposals with reference to the company corporate goals and objectives resolved by the Board from time to time.
- 4.3 Make recommendations to the Board on the remuneration packages (which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) of individual executive directors and senior management.

- 4.4 Make recommendations to the Board on the remuneration of non-executive Directors.
- 4.5 Consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.
- 4.6 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 otherwise fair and not excessive.
- 4.7 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 otherwise reasonable and appropriate.
- 4.8 Ensure that no Director or any of his associates is involved in deciding his own remuneration.
- 4.9 If the Directors request from time to time, the Committee shall report its activities to the Directors of the Company.
- 4.10 Advise shareholders on how to vote on any Director's service contract that requires shareholder approval under the Listing Rules.
- 4.11 When performing duties within the scope of the Terms of Reference, the Committee shall:
 - (a) Consult the chairman of the Board and/or the chief executive officer on the remuneration proposals of other executive Directors, and seek independent professional advice if necessary;
 - (b) Provide remuneration and benefits at the required level to attract, retain and motivate executive Directors, but avoid paying excessive remuneration;
 - (c) Determine the positioning of the Group comparing to other companies. Be aware of the current salary levels of similar companies and consider relative performance;
 - (d) Observe keenly the macro environment, including the salary and employment conditions of the Group and other places;
 - (e) Ensure that the remuneration package of executive Directors aligns their interests with shareholders, and encourages Directors to perform to their best.

5. Reporting Proceedings

- 5.1 The Secretary to the Committee shall properly keep complete minutes of meetings of the Committee. The minutes of the meeting may be available for inspection by any Director within any reasonable time after reasonable notice has been given.
- 5.2 The Secretary to the Committee shall be responsible for preparing the minutes of the meetings of the Committee. The first draft and final draft of the meeting minutes shall be

sent to all Members within a reasonable time after the meeting. The first draft is for Members to express their opinions and the final draft is used for their records.

5.3 Unless restricted by law or regulation, the Committee must report to the Board and must make the Board fully aware of its findings, decisions and recommendations.

6. Supplementary Provisions

6.1 The Terms of Reference shall come into force upon approved by the Board.

6.2 For the matters which are not covered by the Terms of Reference or are not in congruence with the provisions of the newly issued or revised laws, regulations and regulatory documents, the Listing Rules and the articles of association of the Company upon the Terms of Reference become effective, the relevant laws, regulations and regulatory documents, the Listing Rules and the articles of association of the Company shall prevail.

6.3 The right to interpret and amend the Terms of Reference shall reside with the Board.

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