



上海康德萊醫療器械股份有限公司  
**SHANGHAI KINDLY MEDICAL INSTRUMENTS CO., LTD.\***  
*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1501)**

**TERMS OF REFERENCE AND RULES OF PROCEDURES OF  
THE REMUNERATION COMMITTEE  
UNDER THE BOARD OF THE COMPANY (THE “BOARD”)**

**CHAPTER 1 GENERAL PROVISIONS**

**Article 1** In order to further establish a sound remuneration management system and consummate corporate governance structure of Shanghai Kindly Medical Instruments Co., Ltd.\* (hereinafter referred to as the “**Company**”, together with its subsidiaries, the “**Group**”), the Remuneration Committee under the Board is established and these terms of reference are formulated in accordance with relevant laws and regulations of the Company Law of the People’s Republic of China (hereinafter referred to as the “**Company Law**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Hong Kong Listing Rules**”) and the requirements of the Articles of Association of Shanghai Kindly Medical Instruments Co., Ltd.\* (hereinafter referred to as the “**Articles of Association**”).

**Article 2** The Remuneration Committee (hereinafter referred to as the “**Committee**”) is a specialized working body under the Board and is principally responsible for evaluating the remuneration strategies and policies, performance appraisal and incentive schemes and other matters regarding the remuneration of directors, supervisors and senior management, and making relevant recommendations to the Board. Upon the approval by the Board, relevant recommendations will be proposed for consideration at the general meeting.

**Article 3** For the purpose of these terms of reference, senior management means the general manager, deputy general manager, chief financial officer and secretary of the Board of the Company and other senior management personnel specified in the Articles of Association.

**CHAPTER 2 COMPOSITION**

**Article 4** The Committee shall consist of three (or more) directors who shall be directly appointed by the Board and the majority of whom shall be independent non-executive directors. The Committee shall be chaired by an independent non-executive director.

**Article 5** Members of the Committee shall attend regular meetings of the Committee, and shall actively express their opinions on matters proposed at the meetings and have a thorough understanding of the roles and responsibilities of the Committee.

**Article 6** The secretary of the Board or the joint company secretaries of the Company or their proxy shall be the secretary of the Committee.

**Article 7** Members of the Committee shall disclose to the chairman of the Committee the following matters:

- (I) any personal financial interest (other than as a shareholder of the Company) in any matter to be decided by the Committee; and
- (II) any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and abstain from participating in the discussions concerning such resolutions, and shall resign from the Committee (at the request of the Board).

### **CHAPTER 3 DUTIES AND RESPONSIBILITIES**

**Article 8** The duties and responsibilities of the Committee shall include:

(I) making recommendations to the Board on the Company's policy and structure for the remuneration of all directors, supervisors and senior management and establishment of a formal and transparent procedure for the formulation of a remuneration policy;

(II) reviewing and approving remuneration proposals of senior management with reference to corporate goals and objectives as the Board may determine from time to time;

(III) being responsible, as the Board directs, for making recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);

(IV) making recommendations to the Board on the remuneration of non-executive directors (including independent non-executive directors) and supervisors of the Company, advisors to the Board (if any) and members of various committees under the Board;

(V) considering the remuneration paid, time commitment and responsibilities by comparable companies in such industry, and employment conditions elsewhere in the Group;

(VI) subject to prior approval at the general meeting, reviewing and approving compensation payable to executive directors, supervisors 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, reasonable and not excessive;

(VII) subject to prior approval at the general meeting, reviewing and approving 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;

(VIII) ensure that none of the directors and their associates would participate in the determination of their own remuneration; and

(IX) handling other matters stipulated by laws, regulations, regulatory documents, the Articles of Association and these terms of reference, requirements of the securities regulatory authorities of the Company's place of listing and other matters as authorized by the Board.

**Article 9** The remuneration plans proposed by the Committee for directors, supervisors and senior management of the Company shall be subject to approval by the Board and subsequently at the general meeting. The foregoing remuneration plans shall not damage the interests of shareholders.

**Article 10** Pursuant to Rule 13.68 of the Hong Kong Listing Rules, the Committee shall advise on directors' and supervisors' service agreements requiring the approval of shareholders. It shall notify shareholders of whether relevant terms in the agreements are fair and reasonable, whether such agreements are in the interest of the Company and its shareholders as a whole, and shall advise on procedures for shareholders (except for shareholders who are directors and who have material interest in such service agreements as well as their associates) to vote. The aforesaid directors' service agreements requiring shareholders' approval include agreements with a service term longer than three years, agreements providing for more than a one-year prior notice shall be given or compensation or other expenses equal to the remuneration of more than one year shall be paid if the Company terminates the agreements, and agreements required by the securities regulatory authorities of the Company's place of listing.

**Article 11** The Committee shall be responsible for approving all disclosure statements in relation to the Committee, including but not limited to relevant disclosure statements in annual reports, semi-annual reports and information uploaded to the websites of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company.

**Article 12** Subject to the Corporate Governance Code (the "Governance Code") set out in the Hong Kong Listing Rules, the Committee shall exercise other powers, authorities and discretions delegated by the Board to it from time to time in determining the remuneration of executive directors, non-executive directors, supervisors and senior management, as well as perform other duties and responsibilities.

**Article 13** In performing its duties in accordance with these terms of reference, the Committee shall:

(I) encourage the senior management to establish a remuneration culture which is in line with the Group's overall strategy, and supports the realization of the Group's vision, mission and values, and provide competitive packages to attract, retain and motivate high caliber executive directors of the Company with reference to market practice;

(II) consult the chairman of the Board and/or the general manager about the remuneration proposals for other executive directors and senior management. The Committee may seek independent professional advice if necessary;

(III) be sensitive to market practice, including salary and employment conditions within the Company and elsewhere in the industry in which the Company operates, especially when determining annual salary increases;

(IV) ensure that the part of remuneration linked to corporate and individual performance contributes a significant portion of the total remuneration package of executive directors and senior management, in order to motivate employees, align their interests with those of the shareholders, attract and retain talent, and to facilitate each of the directors and senior management to provide the highest level services to the Company;

(V) ensure that the share options to be granted to the directors or senior management by the Company, if any, are in compliance with the requirements of Chapter 17 of the Hong Kong Listing Rules, if applicable, and that the Company's employee incentive plan is in compliance with applicable regulations;

(VI) work closely with other committees under the Board and communicate with other committees appropriately on a regular basis to ensure the timely supervision of the remuneration management of the Company; and

(VII) upload these terms of reference to the websites of the Stock Exchange and the Company to explain its role, duties and authority delegated to it by the Board.

## **CHAPTER 4 POWER**

**Article 14** The Committee has the right to seek adequate resources and administrative support from the senior management of the Group and has separate and independent access to the senior management of the Group.

**Article 15** The senior management shall provide the Committee with all necessary information appropriate for the Committee to discharge its responsibilities in a timely manner. The Committee has the right to request any member of the senior management of the Group to promptly and as comprehensively as possible respond to the queries raised by any member of the Committee.

**Article 16** Members of the Committee may, upon reasonable request, seek independent professional advice for their decision-making in appropriate circumstances, at the Group's expense. In the event of seeking professional advice from an external consultant, such consultant shall be appointed by the chairman of the Committee and its opinions shall be directly submitted to the chairman of the Committee (independent of the senior management).

## **CHAPTER 5 RULES OF PROCEDURE**

**Article 17** The Committee shall convene regular meetings at least once a year and in principle before the periodic meetings of the Board. Notice shall be given to all members no less than 3 business days prior to the meeting. Such notice period may be waived with the written consent of more than half of the members of the Committee.

**Article 18** Extraordinary meetings may be convened upon proposal by the chairman or more than half of all members of the Committee. Notices of extraordinary meetings shall be given to all members no less than 3 business days prior to the meeting. Such notice period may be waived with the written consent of more than half of the members of the Committee.

**Article 19** Materials and notice of the meetings of the Committee shall be issued simultaneously. Members shall familiarize themselves fully with the meeting materials prior to the meeting.

**Article 20** In principle, the meetings of the Committee shall be convened by way of a physical meeting in the presence of more than half of all members. However, in order to allow all members to fully express their opinions, the meetings may also be convened by telecommunication means or circulation of written resolutions. Telecommunication means refers to the use of telephone, video conference and other means to participate in the meeting; circulation of written resolutions refers to the way of making decision on proposals through separate or circulated service. The quorum of the meetings of the Committee shall be two, one of whom must be an independent non-executive director.

**Article 21** The chairman of the Committee shall preside over meetings of the Committee. In the event that the chairman of the Committee is unable to attend, another member (who is an independent non-executive director) may be designated to preside over the meetings. If such designation is not made, more than half of the members being present shall select a member (who is an independent non-executive director) to preside over the meetings.

**Article 22** Members of the Committee shall attend the meetings in person. In the event that a member is unable to attend, he/she may authorize another member in writing to attend and vote on his behalf. The proxy who attends and votes at the meeting shall submit the power of attorney to the chairman of the meeting before the meeting begins. The power of attorney shall set out the name of the principal, name of the proxy, matters delegated, voting instructions on matters proposed at the meeting (for or against), scope and validity period of authorization, and shall be signed or sealed by the principal. The proxy shall exercise the right within the scope of authorization. The principal who authorizes other members to attend the meeting on his behalf shall be solely liable to any decisions made by the proxy within his scope of authorization.

**Article 23** Votes at the meetings of the Committee shall be conducted by a show of hands, by voice or by disclosed ballot, and every member shall have one vote. Resolutions made at the meetings shall not take effect unless they are passed by more than half of all members (including members unable to be present). Members of the Committee shall give express votes, either for or against, and may not abstain from voting.

**Article 24** Representatives of the Human Resources Department shall usually attend the meetings of the Committee to provide assistance. At the request of the Committee, it may also invite non-members of the Committee such as directors, supervisors, relevant members of senior management and head of relevant departments of the Company to be in attendance at some or all of the meetings of the Committee. Prior approval from the chairman of the Committee shall be obtained for the list of such persons in attendance at the meeting.

**Article 25** In the process of evaluating the directors, supervisors and senior management and discussing their remunerations, any member who is involved, along with his/her associates shall abstain from attending the meetings. If a non-executive director or an independent non-executive director is a member of the Committee, his/her remuneration shall be determined by other members of the Committee.

**Article 26** Full records of the meetings of the Committee shall be kept. Minutes of the meetings of the Committee shall sufficiently record the matters considered and decisions reached by the Committee in detail, including any concerns raised by the members or dissenting views expressed. Members attending the meetings shall sign on the final version of the minutes of the meetings of the Committee.

**Article 27** Members of the Committee and persons in attendance at the meetings are obligated to keep all considered matters confidential and shall not disclose such information without approval.

## **CHAPTER 6 REPORTING PROCEDURES**

**Article 28** All minutes of the meetings prepared by the Committee in accordance with the Article 26 above regarding the rules of procedures shall be kept by the secretary of the Committee and be available for inspection at any reasonable time on reasonable notice by any director.

**Article 29** The Committee shall regularly report to the Board on matters set out in these terms of reference, including the work of the Committee and any material issues in relation to the remuneration system of the Company, and shall consider other topics as defined by the Board, unless it is prohibited by laws or regulations.

## **CHAPTER 7 ANNUAL GENERAL MEETING**

**Article 30** The chairman of the Committee shall attend annual general meetings of the Company and be prepared to answer any shareholder's questions in relation to the affairs of the Committee.

**Article 31** If the chairman of the Committee is unable to attend an annual general meeting of the Company, he shall arrange for another member of the Committee to attend in his place. Such member shall be prepared to answer any shareholder's questions in relation to the work of the Committee at the annual general meeting.

## **CHAPTER 8 EFFECTIVE DATE AND AMENDMENTS**

**Article 32** These terms of reference shall take effect from the date of the listing of the Company subject to consideration and approval by the Board. Where it is necessary to amend these terms of reference in light of changes in circumstances, the amendments shall be proposed by the Committee and submitted to the Board for consideration and approval.

**Article 33** Matters not covered by these terms of reference shall be handled in accordance with the requirements of relevant state laws and regulations, the Hong Kong Listing Rules and the Articles of Association; in case there is any inconsistency between these terms of reference and any future relevant state laws and regulations, the Hong Kong Listing Rules or the Articles of Association amended by lawful procedures, the relevant state laws and regulations, the Hong Kong Listing Rules and the Articles of Association shall prevail and these terms of reference shall be amended accordingly, subject to the approval of the Board.

**Article 34** These terms of reference shall be interpreted by the Board.

\* *For identification purposes only*

**IMPORTANT NOTE:** This document is a translation from the original Chinese version. Should there be any discrepancies between the Chinese version, and this English version or versions in other languages, the Chinese version shall prevail.

Hong Kong  
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