

# TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE UNDER THE BOARD OF DIRECTORS OF

## WENZHOU KANGNING HOSPITAL CO., LTD.

### CHAPTER 1 General Provisions

- Clause 1** To further establish and enhance the system for managing remuneration and appraisal and to improve the corporate governance of Wenzhou Kangning Hospital Company Limited (the “**Company**”), in accordance with the relevant laws and regulations including the Company Law of the People’s Republic of China, the Articles of Association of Wenzhou Kangning Hospital Co., Ltd. (the “**Articles**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and other relevant regulations, the Company has established the remuneration committee of the board of directors (the “**Committee**”) and formulated the Terms of Reference for the Remuneration Committee under the Board of Directors of Wenzhou Kangning Hospital Company Limited (the “**Terms**”) taking into account the actual situations of the Company.
- Clause 2** The Committee is a specific working body established by the Board. Its main responsibilities are to examine the appraisal and remuneration of directors and senior management members and give its advice and recommendations thereon.
- Clause 3** “Senior management members” as used in the Terms refers to the general manager, deputy general manager(s), vice general manager(s), secretary to the Board and chief financial officer appointed by the Board and other senior management members specified in the Articles. “Management” as used in the Terms refers to the directors, supervisors, senior management members and other management of the Company designated by the Board.

### CHAPTER 2 COMPOSITION OF COMMITTEE

- Clause 4** The Committee shall comprise at least three directors and the total number of members of the Committee shall be an odd number. The majority of the members of the Committee shall be independent non-executive directors.
- Clause 5** Members of the Committee shall be nominated by the Chairman of the Board or the nomination committee of the Board, and shall be elected by more than half of the directors of the Board.

**Clause 6** The Committee shall have a chairman, who shall be an independent non-executive director. The chairman of the Committee shall be appointed by the Board and shall oversee the operation of the Committee. Where the chairman of the Committee is unable to or fails to discharge his/her duty, an independent non-executive director elected by at least half of the members of the Committee shall act in his/her duties.

**Clause 7** The term of office of the members of the Committee shall be in line with those of the Board members. The members of the Committee may serve consecutive terms if re-elected upon the expiry of the current term of office. During his/her term of office, if any committee member ceases to be a director, he/she will automatically be disqualified and cease to be a member of the Committee. A member of the Committee may resign prior to the expiry of his/her term of office by submitting a written resignation report to the Board, which shall include the reason(s) for such resignation and if necessary, the matters that should be brought to the attention of the Board. If a member of the Committee is disqualified to act or his/her resignation has been accepted, the Board shall fill in the vacancy by appointing a successor member in accordance with relevant laws and regulations and Clauses 4 to 6 above.

### **CHAPTER 3 DUTIES AND AUTHORITIES**

**Clause 8** The Committee shall have the following duties and responsibilities:

- (1) to research directors, supervisors and senior management members' remuneration policy (including non-monetary income, pensions and compensation (including the loss or termination of their office or position appointed and paid compensation), infrastructure and the development of the remuneration policy procedures, and make recommendations to the Board. The procedure of formulating remuneration policy shall be formal and transparent;
- (2) to research appraisal standards for directors, supervisors and senior management members, and make assessment and recommendations;
- (3) to examine the proposed remunerations for the management according to the corporate goals and objectives developed by the Board;
- (4) to research and review the compensation policies and plans for directors, supervisors and senior management members according to their positions, responsibilities, scope of work, working hours, personal and corporate performance, with reference to the pay level of the relevant positions in the same region, same industry and of the Company's competitors, as well as other internal conditions of the Company;

- (5) to recommend to the Board the remuneration packages for executive directors and senior management members of the Company, including non-monetary income, pension and compensation (including compensation paid for loss or termination of office or position);
- (6) to give recommendations to the Board concerning remuneration packages for non-executive directors;
- (7) to examine and approve compensation arrangements relating to dismissal or removal of directors, supervisors and senior management members for their misconduct to ensure that they are consistent with relevant contractual terms, as appropriate, and if not consistent, the compensation shall also be reasonable and appropriate;
- (8) to ensure that any directors or his/her associate(s) shall not participate in determining his/her own remuneration;
- (9) to examine the performance by the directors, supervisors and senior management members of the Company and conduct annual appraisals of their performance, and, based on such appraisals, to come up with annual remuneration plan and further incentive or punishment plan and submit those to the Board for consideration, and to oversee the implementation of the aforementioned plans;
- (10) to value remuneration system of the Company and to review and oversee its implementation;
- (11) to amend the remuneration policy and system according to the development of the market and the Company;
- (12) to explain to the shareholders about the remuneration of directors and senior management members; and
- (13) other duties authorized by the Board.

**Clause 9** The Board shall be entitled to veto any remuneration plans or proposals that would harm the interests of shareholders of the Company.

**Clause 10** The remuneration plans or proposals for directors and supervisors of the Company proposed by the Committee shall be submitted to the Board for approval and shall then be presented to the shareholders at general meetings for consideration and approval before implementation. Remuneration plans for senior management members of the Company shall also be submitted to the Board for approval.

## CHAPTER 4 WORKING PROCEDURES

**Clause 11** The human resources department of the Company is the day-to-day working body of the Committee. It is responsible for providing information related to human resources as well as individuals to be assessed, preparing for meetings of the Committee and implementing relevant resolutions of the Board and the Committee.

**Clause 12** The human resources department of the Company is in charge of the preliminary preparation for the decision-making of the Committee and shall provide the following written materials of the Company:

- (1) information on fulfillment by the Company of the key financial indicators and operation objectives;
- (2) job description and performance of major duties of directors, supervisors and senior management members of the Company;
- (3) extent to which the performance targets set out under the performance appraisal system have been achieved by the directors, supervisors and senior management members;
- (4) operation performance to reflect the business innovation capabilities and profit generation capabilities of directors, supervisors and senior management members;
- (5) relevant calculation bases indicating remuneration plans or proposals proposed in accordance with the performance of the Company;
- (6) to maintain day-to-day working relationships with agencies designated by the Committee; and
- (7) to provide information on implementation of the remuneration systems and other systems at the request of the Committee.

The Committee performs its major duties under Clause 8 above based upon information supplied by the human resources department of the Company.

**Clause 13** The procedures for the Committee’s appraisal of directors, supervisors and senior management members are as follows:

- (1) Within a month from the Company’s audit report is issued, the directors, supervisors and senior management members of the Company shall give work report and self-evaluation to the Committee;
- (2) The Committee conducts performance appraisal on the directors, supervisors and senior management members following the performance review standards and procedures and based on the operation results provided in the audited report as well as the work reports by the directors, supervisors and senior management members; and
- (3) The Committee comes up with the remuneration and incentive plan for the directors, supervisors and senior management members based on the relevant performance appraisal results and remuneration allocation policy for voting. Upon approval by the Committee, such plan shall be to the Board as a proposal for consideration.

## **CHAPTER 5 RULES OF PROCEDURES**

**Clause 14** Meetings of the Committee shall include regular meetings and extraordinary meetings.

The regular meeting of the Committee shall be held prior to the regular board meeting to be held before the annual general meeting of the Company to discuss the opinions and suggestions to be submitted to the Board.

An extraordinary meeting may be held any time when the chairman of the Committee considers necessary or when proposed by at least half of the members of the Committee or by the chairman of the Board.

**Clause 15** Meetings of the Committee shall be convened by the chairman of the Committee. The notice of a meeting and other meeting materials shall be delivered to all members of the Committee at least three days before the date of the meeting. Upon unanimous consent of all members of the Committee, the foregoing requirement of notification period may be waived.

**Clause 16** A meeting of the Committee shall be presided over by the chairman of the Committee, in whose absence another independent non-executive director who is a member of the Committee under the authorization of the chairman of the Committee may preside over the meeting in his/her stead.

**Clause 17** The quorum for meetings of the Committee shall be at least two thirds of the total members of the Committee. If a member is unable to attend a meeting, he/she may by a written power of attorney appoint another member to attend and vote at the meeting on his/her behalf. The power of attorney shall set out the name of the proxy, the subject and scope of authorization and the period of the validity of the power of attorney, and shall be signed or officially sealed by the principal.

Resolutions at a meeting shall be passed by the affirmative votes of more than half of the members of the Committee. The respective resolution or opinion shall be signed by members who attend such meeting of the Committee. Each member of the Committee shall have one vote. A member of the Committee may vote for, against or abstain from voting on a given matter. Where the respective votes for and against a resolution are equal in number, the chairman of the Committee shall have a casting vote.

**Clause 18** Meetings of the Committee may be held by means of on-site meeting, by communication, by circulation and execution of resolutions or by other appropriate means.

**Clause 19** Where necessary, directors, supervisors and senior management may be invited to attend a meeting of the Committee as observers.

**Clause 20** The senior management members and relevant departments of the Company shall be cooperative with and supportive to the Committee and shall take the initiative in providing relevant information to the Committee. Where necessary, the Committee may engage independent agencies to provide professional advice on its decision-making at the cost of the Company as reasonably incurred therefrom.

**Clause 21** A member of the Committee shall avoid attending meetings of the Committee for which he/she is the subject matter of the proposal.

**Clause 22** The convening procedures and voting method of the meetings of the Committee and the approved remuneration policies and allocation plans shall be in compliance with relevant laws and regulations, the Articles, the regulatory provisions of the place(s) where the Company's shares are listed, and the provisions of the Terms.

**Clause 23** The Committee shall keep minutes of its meetings. Members present at a meeting shall sign the minutes of that meeting. The meeting minutes shall be kept by the secretary to the Board for a period of not less than 10 years.

**Clause 24** Resolutions passed by the Committee and the voting results shall be reported in writing to the Board for its consideration.

**Clause 25** Members present at meetings of the Committee and those present as observers shall keep confidential all matters discussed at the meeting and shall not disclose any relevant information without authorization.

## **CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Clause 26** For the purpose of the Terms, the expression “at least” includes the numbers following such expression, and “more than half” excludes half.

**Clause 27** The terms have been approved by the Board upon consideration and shall become effective from the date on which the overseas listed foreign shares issued by the Company are listed and traded on The Stock Exchange of Hong Kong Limited. The Board shall have the power to amend and interpret the Terms.

**Clause 28** Any matters not covered herein shall be implemented in accordance with the relevant laws and regulations, relevant regulatory provisions of the place(s) where the Company’s shares are listed, and the Articles. Where the Terms conflict with any relevant laws and regulations, relevant regulatory provisions of the place(s) where the shares of the Company are listed including the Listing Rules, or the Articles, such relevant laws and regulations, relevant regulatory provisions of the place(s) where the shares of the Company are listed including the Listing Rules, and the Articles shall prevail, in which case the Terms shall be amended forthwith and submitted to the Board for consideration and approval.

**Clause 29** The Terms are available in both Chinese and English versions. In case of inconsistencies between the two versions, the Chinese version shall prevail.