



# Shanghai HeartCare Medical Technology Corporation Limited

上海心瑋醫療科技股份有限公司

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 6609)**

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

### **CHAPTER 1 GENERAL PROVISIONS**

**Article 1** Shanghai HeartCare Medical Technology Corporation Limited (hereinafter referred to as the “**Company**”) has established the remuneration committee of the board of directors and formulated these Terms of Reference for the Remuneration Committee of the Board of Directors of Shanghai HeartCare Medical Technology Corporation Limited (hereinafter referred to as the “**TOR**”) according to the practical situations of the Company in accordance with the laws, regulations, and normative documents including the Company Law of the People's Republic of China (hereinafter referred to as the “**Company Law**”), the Articles of Association of Shanghai HeartCare Medical Technology Corporation Limited (hereinafter referred to as the “**Articles of Association**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Listing Rules**”), and the laws, regulations and other requirements of the Hong Kong Special Administrative Region of the People's Republic of China, in order to further the establishment of a comprehensive management system of remuneration and improve the Company's corporate governance.

**Article 2** The remuneration committee is a specific working body established by the board of directors in line with resolutions passed at the general meeting, being mainly responsible for examining the remuneration of directors and senior management and giving its advice and recommendations thereon; it is responsible for developing and reviewing the remuneration policy and plans of the directors and senior management and monitoring the implementation of such plans.

**Article 3** Senior management as referred to in these TOR refers to the general manager, deputy general manager, secretary to the board of directors and other staff as may be engaged by the board of directors. The management refers to the directors, supervisors, senior management and other staff as may be engaged by the board of directors.

### **CHAPTER 2 COMPOSITION**

**Article 4** The remuneration committee shall comprise at least three directors and the total number of members shall be an odd number. The majority of the members shall be independent non-executive directors. Members of the committee shall possess professional knowledge and work experience corresponding to the duties and responsibilities of the remuneration committee.

**Article 5** Members of the remuneration committee shall be nominated by the chairman of the board of directors, over one half of the independent non-executive directors or at least one third of members of the board of directors, and shall be elected by more than half of directors of the board of directors. Upon approval of the proposal for such election, the new appointed member shall commence his term of office immediately after the conclusion of the meeting of the board of directors.

Major duties and responsibilities of the members are:

- (1) To attend the committee meetings, express their opinions on matters deliberated at the meetings, and exercise their voting rights;
- (2) To propose topics for discussion at the committee meetings;
- (3) To attend relevant meetings of the Company as observers, to conduct surveys and researches and to collect relevant information such as reports, documents and data for the purpose of discharging their duties and responsibilities;
- (4) To fully understand the duties and responsibilities of the committee and of himself/herself as a member of the committee, to familiarize themselves with information relevant to their duties and responsibilities on the operation and management, business activities and development of the Company to ensure their capacity for discharging duties and responsibilities;
- (5) To fully ensure that they have sufficient working hours and energy to fulfil their duties and responsibilities;
- (6) Other duties and responsibilities as specified by the laws, regulations, rules, normative documents, rules governing the listing of securities on the listing place of the shares of the Company, the Articles of Association of the Company and these TOR.

**Article 6** The remuneration committee shall have a convener or chairman, who shall be or an independent non-executive director. The chairman shall be appointed by the board of directors and shall oversee the operation of the committee. Where the chairman is unable to or fails to discharge the duty, an independent director shall be designated to act in his stead, failing which, an independent non-executive director shall be elected by over one half of the members to act in his stead.

Major duties and responsibilities of the chairman are:

- (1) To preside over the committee meetings and ensure effective operation and performance of duties and responsibilities of the committee;
- (2) To determine the agenda of the committee meetings;
- (3) To ensure that proposals considered by the committee reach a clear and definitive conclusion, including whether the proposal is passed, vetoed or to be further discussed after supplemental materials are provided;
- (4) To report its work to the board of directors on behalf of the committee;
- (5) Other duties and responsibilities as specified by the laws, regulations, rules, normative documents, rules governing the listing of securities on the listing place of the shares of the Company, the Articles of Association and these TOR.

**Article 7** The term of office of the remuneration committee shall be consistent with that of the board of directors. Each member shall be eligible for re-election upon completion of his term of office. During his term of office, if any member ceases to be a director, or any committee member as an independent non-executive director loses his independence as required under the Articles of Association and the Listing Rules, his membership in the committee shall lapse automatically. A member of the remuneration committee may submit his resignation report in writing to the board of directors prior to the expiry of his term of office to resign from his existing position. The resignation report shall contain necessary explanation as to such reasons for resignation and matters which need attention of the board of directors. Upon the loss of qualification or the permission to resign as the remuneration committee member, the position(s) vacated by such member(s) shall be filled by the board of directors according to the relevant laws, regulations, normative documents and provisions of Articles 3 to 5 in the above. A member shall not, before the expiry of his term of office, be relieved of his duties without cause except for the situations specified in the Company Law, the Articles of Association or the Listing Rules.

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

**Article 8** As stipulated in Article 155 of the Articles of Association regarding the major duties and responsibilities of the remuneration committee, the specific duties of the remuneration committee are:

- (1) To research directors, supervisors and senior management members' remuneration policy (including non-monetary income, pensions and compensation (including compensation paid for the loss or termination of their office or position appointed)), structure and the development of the remuneration policy procedures, and make recommendations to the board of directors. 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 review and approve the proposed remunerations for the management according to the corporate goals and objectives developed by the board of directors;
- (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 or of the Company's competitors, as well as other internal employment conditions of the Company;
- (5) To recommend to the board of directors the remuneration packages offered to individual executive directors and senior management 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 of directors concerning remuneration packages offered to non-executive directors;
- (7) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

- (8) To examine and approve arrangements of compensation given to directors, supervisors and senior management due to the loss of office, termination of office and dismissal due to misconduct, and to ensure that such compensation is consistent with the terms of their employment contract, ensure its fairness and appropriateness so that it is not unduly burdensome to the Company;
- (9) To ensure that any directors or his associate(s), as defined in the Listing Rules, shall not participate in determining his own remuneration, and that the remuneration of non-executive directors who are also members of the remuneration committee shall be determined by other members of the remuneration committee;
- (10) 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 of directors for consideration, and to oversee the implementation of the aforementioned plans;
- (11) To evaluate the remuneration system of the Company and to review and oversee its implementation;
- (12) To constantly supplement and amend the remuneration system according to the development of the market and the Company and the corporate policies and objectives developed by the board of directors;
- (13) To explain to the shareholders about the remuneration of directors and senior management members;
- (14) The requirements of laws, regulations, rules, normative documents, rules governing the listing of securities on the listing place of the shares of the Company and provisions of the Articles of Association as well as other matters as authorized by the board of directors.

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

**Article 10** The remuneration plans or proposals of the directors and supervisors of the Company proposed by the remuneration committee shall be submitted to the board of directors for consent and shall then be presented to the shareholders at general meetings for consideration and approval before implementation. Remuneration allocation proposals of senior management of the Company shall also be submitted to the board of directors for approval. The remuneration committee shall be accountable to the board of directors and proposals of the committee shall be submitted to the board of directors for consideration.

## **CHAPTER 4 WORKING PROCEDURES**

**Article 11** The human resources department is the day-to-day working body of the remuneration committee. It is responsible for providing information related to human resources and information related to officers to be assessed, preparing for meetings of the remuneration committee and implementing relevant resolutions of the board of directors and the remuneration committee.

**Article 12** The human resources department is in charge of the preliminary preparation for the decision-making of the remuneration committee. It provides the following written materials of the Company:

- (1) Information on fulfillment by the Company of the key financial indicators and operation objectives;
- (2) Scope of work and performance of main duties of directors, supervisors and senior management of the Company;
- (3) Extent to which the performance targets set out under the job performance appraisal system have been achieved by the directors, supervisors and senior management;
- (4) Business performance status of business innovation capabilities and profit generation of directors, supervisors and senior management;
- (5) Relevant calculation basis indicating remuneration allocation plans and allocation manners proposed in accordance with the performance of the Company;
- (6) To maintain day-to-day working relationship with agencies designated by the remuneration committee;
- (7) To provide information on implementation of the remuneration systems and systems at the request of the remuneration committee;
- (8) Other information in relation to the work of the remuneration committee.

The remuneration committee performs its major duties under the aforementioned Article 8 based upon information supplied by the human resources department.

**Article 13** The procedures for the remuneration committee's appraisal of directors, supervisors and senior management members are as follows:

- (1) Within a month after 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 remuneration committee;
- (2) The remuneration 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;
- (3) The committee conducts internal research and 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 of the votes, such plan shall be submitted to the board of directors as a proposal for consideration.

## CHAPTER 5 RULES OF PROCEDURES

**Article 14** Meetings of the remuneration committee include regular meetings and extraordinary meetings.

Regular meetings of the remuneration committee shall be convened before the regular meeting of the board of directors of the Company before the annual general meeting of the Company, for discussing the opinions and recommendations to be submitted to the board of directors.

The chairman of the remuneration committee may convene extraordinary meetings as he considers necessary, by the proposal of at least half of the number of committee members or the recommendation of the chairman of the board of directors. The convening of an extraordinary meeting is not subject to notice period.

**Article 15** The remuneration committee shall hold meetings upon convening by its chairman. Notice of meeting, signed by the chairman, and materials for meeting shall be served to all members of the committee three days prior to convening the meeting. The meeting notice may be served by hand or sent through fax, registered mails or electronic mails, etc. Upon unanimous consent of all members of the committee, the requirement on such prior notice period may be exempted.

The meeting notice shall include:

- (1) Venue and time of the meeting;
- (2) Manner of convening the meeting;
- (3) Agenda, discussion items and relevant detailed materials of the meeting;
- (4) The requirements that the members shall personally attend the meeting or appoint other members to attend the meeting on their behalf;
- (5) The contact person and the contact information;
- (6) Date of notice.

**Article 16** The remuneration committee shall be presided over by the chairman. The chairman may, when unable to attend the meeting, authorize another committee member who is an independent non-executive director to preside over the meeting. Where the chairman fails to make such authorization, an independent director shall be elected by no less than half of all members to preside over the meeting.

**Article 17** The quorum for meetings of the remuneration committee is at least two thirds of the total number of members of the committee. Members who cannot attend a meeting may authorize, in writing, other members to attend and vote on his behalf. The form of proxy, containing the names of the appointer and the proxy, the matters delegated, the scope of authorization, the validity period of such authorization and signing date, and signed or stamped by the appointer, shall be submitted to the president of the meeting no later than the time when voting takes place in the meeting.



Resolutions proposed at a meeting shall be passed by the affirmative votes of more than half of the members. The respective resolution or opinion shall be signed by members who attend such meeting of the remuneration committee. Each member shall have one vote. Voting decisions include “For”, “Against” and “Abstention”. Where the respective votes for and against a resolution are equal in number, the chairman shall be entitled to have a casting vote. When voting at the meeting, members interested in the subject matter shall abstain.

**Article 18** Meetings of the remuneration committee may be in such appropriate forms as physical meetings held on site, telephone conference, video conference, circulation of documents, fax etc.

**Article 19** A director, supervisor and senior management may be invited to attend a remuneration committee meeting as an observer, where necessary.

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

**Article 21** A member of the Committee shall avoid attending meetings of the remuneration committee for which he is the subject matter of the resolution.

**Article 22** The convening procedures, voting method and passing of remuneration policies and allocation proposals at the meetings of the remuneration committee shall be in compliance with relevant laws and regulations, the Articles of Association and these TOR.

**Article 23** Minutes of meetings of the remuneration committee shall be prepared, on which members present at the meeting shall sign. Minutes of meetings shall be kept by the secretary to the board of directors.

**Article 24** Resolutions passed by the remuneration committee and the voting results shall be reported in writing to the board of directors for its consideration.

**Article 25** Members present at meetings, and those present as observers, shall owe a duty of confidentiality as regards matters discussed during such meetings. No disclosure of such information shall be allowed, save as is otherwise stipulated under relevant laws, regulations and/or rules of regulatory bodies.

## **CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Article 26** “At least” as referred to in these TOR includes the number, and the words “more than half” does not include the number itself.

**Article 27** These TOR have been approved by the board of directors upon consideration and shall become effective from the date on which the overseas-listed foreign shares of the Company are listed for trading on The Stock Exchange of Hong Kong Limited. Any amendment or interpretation of these TOR shall be done by the board of directors.

**Article 28** Any matters not covered herein these TOR shall be implemented in accordance with the relevant laws and regulations, relevant regulatory provisions of the place(s) where the shares of the Company are listed, and the Articles of Association. Where these TOR 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 of Association, 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 of Association shall prevail, in which case these TOR shall be amended forthwith and submitted to the board of directors for consideration and approval.