



**Hepalink**

**SHENZHEN HEPALINK PHARMACEUTICAL GROUP CO., LTD.**

**(深圳市海普瑞藥業集團股份有限公司)**

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

**(Stock Code: 9989)**

## **Terms of Reference of Special Committees of the Board of Directors of Shenzhen Hepalink Pharmaceutical Group Co., Ltd.**

(This draft is applicable after the issuance of the H shares, and has been reviewed and approved at the 26th meeting of the fourth Board of Directors of the Company on December 2, 2019)

### **Chapter I General Provisions**

**Article 1** In order to accommodate the needs of the strategic development of Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (hereinafter referred to as the “Company”), strengthen its core competitiveness, determine its development plans, improve its procedures for making investment decisions, strengthen the scientific basis of its decision-making process, improve the effectiveness and quality of material investment decisions, and perfect its corporate governance structure, the Board of Directors of the Company has set up the Strategic Committee, the Nomination Committee, the Audit Committee and the Remuneration and Evaluation Committee and formulated these Terms of Reference in accordance with the requirements of the Company Law of the People's Republic of China, the Guidelines for Governance Standards of Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”), the Code of Corporate Governance Practices, the Guidelines for Effective Operation of the Audit Committee of the Hong Kong Institute of Certified Public Accountants, the Articles of Association of the Company and other related regulations.

**Article 2** The Company shall set up special committees of the Board of Directors:

- (1) the Strategic Committee of the Board is a specialized working body set up under the Board of Directors. It is mainly responsible for researching and making recommendations on the Company's long-term development strategy and major investment decisions.
- (2) the Nomination Committee of the Board is a specialized working body set up under the Board of Directors. It is mainly responsible for researching and making recommendations on the participants, selection criteria and hiring procedures of the Company's Directors and senior management who shall be hired and dismissed by the Board of Directors.
- (3) the Audit Committee of the Board is a specialized working body set up under the Board of Directors. It is mainly responsible for the communication, supervision and inspection of internal and external audits of the Company.

- (4) the Remuneration and Evaluation Committee of the Board is a special working body set up under the Board of Directors. It is mainly responsible for formulating the assessment standards of and evaluating the Company's Directors and senior management. It is also responsible for formulating and reviewing the remuneration policies and plans of the Company's Directors and senior management, and shall be accountable to the Board.

## **Chapter II Terms of Reference of the Strategic Committee of the Board of Directors**

### **Section 1 Composition**

**Article 3** The Strategic Committee shall consist of three directors, including one independent director.

**Article 4** Members of the Strategic Committee and members of its working group shall be nominated by the chairman of the Board, or more than one-half of the independent directors or more than one-third of all the directors, and shall be elected by the Board.

**Article 5** The Strategic Committee shall have one chairman, who shall be the chairman of the Board.

**Article 6** The term of office of the Strategic Committee shall be identical to that of the Board. Members of the Strategic Committee may be re-elected upon the expiration of the current term of office. Any member of the Strategic Committee who ceases to be a director of the Company during the term shall be automatically disqualified as a member of the committee, and the vacancy shall be filled by the committee in accordance with Articles 3 to 5 above.

**Article 7** The Strategic Committee has a working group which is its daily working organization. The general manager of the Company serves as the group leader. Members of the working group need not be members of the Strategic Committee.

### **Section 2 Duties and Authorities**

**Article 8** The main duties of the Strategic Committee are:

- (1) to evaluate and advise on long term strategic development plans of the Company;
- (2) to evaluate and advise on major investment financing proposals that are subject to the approval of the Board and the shareholders' meeting in accordance with the requirements of the Articles of Association;
- (3) to evaluate and advise on major capital operations and asset management projects that are subject to the approval of the Board and the shareholders' meeting in accordance with the requirements of the Articles of Association;

- (4) to evaluate and advise on any other significant events that affect the development of the Company;
- (5) to oversee the implementation of the above matters; and
- (6) to carry out other matters as authorized by the Board.

**Article 9** The Strategic Committee is accountable to the Board and shall submit its proposals to the Board for consideration and decision.

### **Section 3 Working Procedures**

**Article 10** The working group of the Strategic Committee shall be responsible for the preliminary preparatory work for the decision-making of the committee, and provide related information:

- (1) the relevant departments of the Company or its holding (associated) companies are responsible for reporting information, including in relation to the intentions of major investment financing, capital operations, and asset management projects, the preliminary feasibility report and basic conditions of the cooperating parties;
- (2) the working group of the Strategic Committee conducts a preliminary review, issues a project proposal, and reports to the committee for record;
- (3) the relevant departments of the Company or its holding (associated) companies conduct external negotiations on matters including agreements, contracts, Articles of Association and feasibility reports, and report to the working group of the Strategic Committee; and
- (4) the working group of the Strategic Committee conducts review, issues written opinions and submits formal proposals to the committee.

**Article 11** The Strategic Committee shall convene a meeting to discuss the proposal submitted by the working group of the committee, the results of which shall be submitted to the Board and fed back to the working group.

### **Section 4 Procedural Rules**

**Article 12** Meetings of the Strategic Committee shall be convened as requested by the Board or

**Article 14** Votes at the meetings of the Strategic Committee shall be made by a show of hands or by poll. Meetings may be convened by voting by communications.

**Article 15** The leader of the working group of the Strategic Committee may attend meetings of the committee. Where necessary, the Directors, supervisors and senior management of the Company may also be invited to attend such meetings.

**Article 16** Where necessary, the Strategic Committee may engage intermediate agencies to provide professional advice for its decision-making, the cost of which shall be borne by the Company.

**Article 17** The convening procedure of, and voting method and resolutions passed at, meetings of the Strategic Committee shall comply with the requirements of the relevant laws, regulations, Articles of Association and the Terms of Reference.

**Article 18** The Strategic Committee shall keep minutes for its meetings. The minutes should record in sufficient detail the matters considered by the committee and the resolutions passed, including any concerns raised or dissenting views expressed by members of the committee. Members of the committee present at such meetings shall sign the minutes. Where a member has any comments or dissidence to the minutes, he/she may refuse to sign it, but shall deliver the aforesaid opinion in writing to the Secretary to the Board within the specified time stated above. If the minutes are proved to contain errors or omissions, the Secretary to the Board shall revise the minutes, and members of the committee shall sign the revised minutes. The minutes shall be kept by the Office of the Secretary to the Board for a period of 10 years.

**Article 19** The resolutions passed and the poll results at the meetings of the Strategic Committee shall be reported in writing to the Board.

**Article 20** Members present at the meeting shall be obliged to keep all matters discussed at such meeting confidential, and shall not disclose any relevant information without authorization.

### **Chapter III Terms of Reference of the Nomination Committee of the Board of Directors**

#### **Section 1 Composition**

**Article 21** The Nomination Committee shall consist of three directors, including two independent directors.

**Article 22** Members of the Nomination Committee and members of its working group shall be nominated by the chairman of the Board, or more than one-half of the independent directors, or more than one-third of all the directors, and shall be elected by the Board.

**Article 23** The Nomination Committee shall have one chairman, who shall be an independent director. The chairman of the Committee shall be elected from the members of the Committee and be reported to the Board for approval.

**Article 24** The term of office of the Nomination Committee shall be identical to that of the Board. Members of the Nomination Committee may be re-elected upon the expiration of the current term of office. Any member of the Nomination Committee who ceases to be a director of the Company during the term shall be automatically disqualified as a member of the committee, and the vacancy shall be filled by the committee in accordance with Articles 21 to 23 above.

**Article 25** The Nomination Committee has a working group which is its daily working organization. It is responsible for work such as data collection and collation, drafting of the list of shortlisted candidates for election and organization of meetings.

## **Section 2 Duties and Authorities**

**Article 26** The main duties of the Nomination Committee are:

- (1) formulating and reviewing the Board diversity policy; evaluating the structure, size and composition (including skills, knowledge and experience) of the Board at least once a year and making recommendations to the Board on the size and composition of the Board based on the Company's operating activities, asset size and equity structure; and when considering the combination of the members of the Board, ensuring the balance between executive and non-executive directors (including independent directors) and considering from multiple aspects of the diversity of the members of the Board, including but not limited to their gender, age, cultural and educational background and professional experience;
- (2) studying the selection criteria and procedures for directors and senior management and putting forward proposals to the Board;
- (3) searching extensively for qualified candidates for the roles of directors and senior management;
- (4) examining and putting forward proposals in relation to the candidates for the roles of directors (including independent directors) and senior management;
- (5) making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors (in particular, the chairman and the general manager);
- (6) evaluating the independence of the independent directors; and
- (7) other matters as authorized by the Board.

**Article 27** The Nomination Committee is accountable to the Board, and shall submit its proposals to the Board for consideration and decision. In the absence of sufficient reason or reliable evidence, the controlling shareholders shall fully respect the proposals made by the Nomination Committee

### **Section 3 Working Procedures**

**Article 28** In accordance with the provisions of relevant laws and regulations and the Articles of Association, the Nomination Committee shall study the selection criteria and procedures and the terms of office for the directors and senior management, with reference to the Company's actual situation. Any resolution made in this regard shall be filed and submitted to the Board of Directors for approval and shall be implemented accordingly.

**Article 29** The selection procedures for appointments of directors and senior management are as follows:

- (1) the working group of the Nomination Committee shall communicate with the Company's relevant departments, study the Company's requirements for new directors and senior management, produce written reports and submit to the Nomination Committee for consideration;
- (2) the Nomination Committee may search extensively for candidates for the roles of directors and senior management within the Company and its holding (associated) companies or externally;
- (3) collect all information about the occupation, academic qualifications, titles, detailed work experience and part-time work experience of the shortlisted candidates and produce written reports;
- (4) obtain consent from the nominees regarding the nomination; otherwise, they shall not be considered as candidates for the roles of directors or senior management;
- (5) convene a meeting of the Nomination Committee and conduct a qualification review on the shortlisted candidate(s) according to the employment requirements of directors and senior management;
- (6) prior to the election of new directors and the appointment of new senior management members, submit proposals and relevant materials to the Board for candidates for the roles of directors and new senior management; and
- (7) carry out other follow-up work according to the decisions of and feedback of the Board.

### **Section 4 Procedural Rules**

**Article 30** The Nomination Committee shall convene a meeting at least once every year and notify all its members three days prior to the meeting. The meeting shall be chaired by the chairman. Where the chairman is unable to attend, he/she may authorize another member of the committee, who is an independent director, to preside over the meeting.

**Article 31** Meetings of the Nomination Committee may only be convened with the presence of more than two-thirds of its members. Each member shall have one vote. Resolutions of the meeting shall be passed by more than one-half of all the members of the committee voting in favor.



**Article 41** Members of the Audit Committee and members of its working group shall be nominated by the chairman of the Board, or more than one-half of the independent directors, or more than one-third of all directors, and be elected by the Board. A former partner of the external auditor which is the Company's current auditor responsible for auditing the Company's accounts shall not act as a member of the Audit Committee within two years commencing from the later of the following dates:

- (I) when he/she ceases to be a partner of the external auditor; or
- (II) when he/she ceases to have any financial interests in the external auditor.

**Article 42** The Audit Committee shall have one chairman, who shall be an independent director. The chairman of the Committee shall be elected from the members of the committee and be reported to the Board for approval.

**Article 43** The term of office of the Audit Committee shall be identical to that of the Board. Members of the Audit Committee may be re-elected upon the expiration of the current term of office. Any member of the Audit Committee shall be eligible for re-election. The term of office of the Audit Committee shall be identical to that of the Board.



- (IV) acting as the representative body between the Company and the external auditor to oversee their relationship;

### **Review of the financial information of the Company**

- (V) supervising the completeness of the Company's financial statement, annual report and accounts, half-year report and quarterly report (if any), and reviewing the major opinions regarding the relevant financial submission as provided in the statements and reports. The committee shall focus on, in particular, the following items before submitting the relevant statements and reports:

- (1) any amendments to the accounting policies and practices;
- (2) areas involving critical judgements;
- (3) material adjustments as a result of auditing;
- (4) the assumption of going-concern and any qualified opinions;
- (5) compliance with the accounting standards; and
- (6) compliance with the Listing Rules in the place where the Company's shares are listed as well as the laws and regulations related to financial reporting;

- (VI) in respect of item (V) above:

- (1) members of the Audit Committee shall communicate with the Board and senior management of the Company. The committee shall meet at least twice each year with the external auditor of the Company; and
- (2) the Audit Committee shall consider any material or unusual matters that are, or need to be, reflected in such reports and accounts and shall give due consideration to any matters that have been raised by the Company's accounting and financial reporting staff, compliance officer or external auditor;

### **Monitoring the financial reporting system, risk management and internal control procedures of the Company**

- (VII) reviewing and evaluating the financial control, risk management system and the internal control of the Company;
- (VIII) supervising the Company's internal auditing system, accounting policies and implementation thereof;

- (IX) discussing the risk management and internal control system with the management and ensuring that the management has performed its duties to have an effective internal control system in place. The discussion shall include the adequacy of resources, staff qualifications and experience, training of employees and budget of the Company's accounting and financial reporting functions;
- (X) considering the major investigation findings on risk management and internal supervisory and control issues as well as the feedback of management on these findings on its own initiative or under the instruction of the Board;
- (XI) being responsible for the communication between the internal and external auditors, to ensure coordination between internal audit department and external auditor, and to ensure that the internal audit department has sufficient resources and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- (XII) reviewing the Company's financial information and its disclosures, as well as its financial and accounting policies and their implementation;
- (XIII) reviewing the Explanatory Letter on Audit Work presented by external auditor to the management, as well as any material queries raised by the auditor to the management in respect of accounting records, financial accounts and control system and the management's response;
- (XIV) ensuring prompt reply by the Board to the issues raised by the external auditor in the Explanatory Letter on Audit Work to the management;
- (XV) reviewing the Company's internal systems and organizing audits of major related transactions;
- (XVI) reviewing the following arrangements made by the Company: employees of the Company can raise concerns in confidence about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of the matters and for appropriate follow-up action;

### **Corporate governance functions**

- (XVII) developing and reviewing the policies and practices on corporate governance of the Company and making recommendations to the Board;
- (XVIII) reviewing and monitoring the training and continuous professional development of the directors and senior management;
- (XIX) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

- (XX) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors;
- (XXI) reviewing the Company's compliance with the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules and the disclosure in the Corporate Governance Report contained in the annual report;

### **Others**

- (XXII) reporting to the Board on matters concerning the provisions of this code; and
- (XXIII) other matters as authorized by the Board.

**Article 46** The Audit Committee shall be accountable to the Board and shall submit its proposals to the Board for review and decision. The Audit Committee shall cooperate with the Supervisory Committee for audit activities.

### **Section 3 Working Procedures**

**Article 47** The working group of the Audit Committee shall be responsible for the preliminary preparatory works for the meetings of the Audit Committee and provide relevant materials to be used at such meetings:

- (1) relevant financial reports of the Company;
- (2) audit reports issued by the internal and external auditors;
- (3) external audit contracts and relevant audit reports;
- (4) public disclosure of information made by the Company;
- (5) audit reports on significant related party transactions of the Company; and
- (6) other related matters.

**Article 48** The Audit Committee shall convene meetings to assess the report submitted by its working group, and then submit relevant resolutions to the Board in writing for discussion:

- (1) evaluating the external auditor's work, and recruitment or replacement of the external auditor;
- (2) whether the Company's internal audit policies have been effectively implemented, and whether its financial report is complete and true;
- (3) whether the information disclosed to the public by the Company (including the financial report) is objective and true, and the material connected transactions are in compliance with the relevant laws and rules;

- (4) evaluation of the performance of the financial department and audit department (including its person in charge) of the Company; and
- (5) other relevant matters.

#### **Section 4 Procedural Rules**

**Article 49** Meetings of the Audit Committee are classified as regular meetings and extraordinary meetings. Regular meetings are convened before review of the annual report by the Board, and extraordinary meetings are convened at the request of the Board or as proposed by members of the Audit Committee. All members of the Audit Committee shall be notified three days prior to the meeting. The meeting shall be chaired by the chairman. Where the chairman is unable to attend, he/she may authorize another member who is an independent director member to preside over the meeting.

**Article 50** Meetings of the Audit Committee may only be convened with the presence of more than two-thirds of its members. Each member shall have one vote. Resolutions of the meeting shall be passed by more than one-half of all the members of the committee voting in favor.

**Article 51** Votes at the meetings of the Audit Committee shall be made by a show of hands or by poll. Meetings may be convened by voting by communications.

**Article 52** Members of the working group of the Audit Committee may attend the meetings of the committee without voting rights. The directors, supervisors, other senior management and finance manager of the Company may be invited to attend such meetings without voting rights where necessary.

**Article 53** Where necessary, the Audit Committee may engage intermediate agencies to provide professional advice for its decision-making, the cost of which shall be borne by the Company.

**Article 54** The convening procedure of, and voting method and resolutions passed at, meetings of the Audit Committee shall comply with the requirements of the relevant laws, regulations, Articles of Association and the Terms of Reference.

**Article 55** The Audit Committee shall keep minutes for its meetings. The minutes should record in sufficient detail the matters considered by the committee and the resolutions passed, including any concerns raised or dissenting views expressed by members of the committee. Members of the committee present at such meetings shall sign the minutes. Where a member has any comments or dissidence to the minutes, he/she may refuse to sign it, but shall deliver the aforesaid opinion in writing to the Secretary to the Board within the specified time stated above. If the minutes are proved to contain errors or omissions, the Secretary to the Board shall revise the minutes, and members of the committee shall sign the revised minutes. The minutes shall be kept by the Office of the Secretary to the Board for a period of 10 years.

**Article 56** The resolutions passed and the poll results at the meetings of the Audit Committee shall be reported in writing to the Board.

**Article 57** Members present at the meeting shall be obliged to keep all matters discussed at such meeting confidential, and shall not disclose any relevant information without authorization.

### **Section 5 Working Procedures of Annual Reports**

**Article 58** In the process of preparing, reviewing and disclosing the Company's annual reports, members of the Audit Committee shall earnestly perform their duties and responsibilities, and be diligent and responsible.

**Article 59** After the end of each accounting year, the person in charge of the Company's finances shall submit a draft timetable for the audit of annual financial reports according to the actual situation of the Company, and submit it to the Audit Committee and auditor (hereinafter referred to as "CPA for annual audit" or "auditor") that provides audit for the Company's annual financial reports.

**Article 60** Members of the Audit Committee shall contact the Company's Board and senior management, and the Committee shall hold meetings with the Company's CPA for annual audit (auditor) at least once each year. The Audit Committee shall communicate and coordinate with the CPA for annual audit on the annual report work, and determine the overall arrangement of the annual financial report through negotiation.

**Article 61** The Audit Committee shall decide the schedule of auditing annual financial reports through communication with the auditor. The committee has the right to know the progress of the auditor's work and any problems.

**Article 64** The Company shall not change the auditor for annual audit during the audit of annual reports in principle. Where the change is necessary, the Audit Committee shall meet the previous auditor and the auditor to be engaged, and make reasonable appraisals of their practicing quality, and express its opinion on the sufficiency of reason for the change of auditor. Such opinion shall be passed by Board resolutions, and subsequently a resolution shall be passed at the shareholders' meeting. The auditor to be engaged shall be notified to attend and express its opinions at the shareholders' meeting. The Company shall fully disclose the resolution of the shareholders' meeting and the statements from the auditor to be engaged.

When the Audit Committee renews the engagement of the auditor for annual audit for the subsequent year, it shall make comprehensive and objective appraisals about the auditing work completed by the auditor for annual audit and its practicing quality, and submit a written affirmative opinion to the Board for approval and hold shareholders' meeting; where a dissenting opinion is formulated, a new auditor shall be engaged.

When the Audit Committee of the Board changes the auditor for annual audit for the subsequent year, it shall fully understand and properly evaluate both the previous and the proposed auditors by face-to-face communication, submit its opinion to the Board and hold a shareholders' meeting for approval of such opinion.

The aforementioned information about communications, appraisals and suggestions shall be recorded in writing and signed by the parties concerned, and be reported to the securities regulatory bureau where the Company is located within three working days after the disclosure of the resolutions from the shareholders' meeting.

**Article 65** The finance department of the Company is responsible for coordinating the communication between the Audit Committee and the certified public accountants for annual audit and creating the conditions for the Audit Committee to perform duties involved in drafting the annual reports.

**Article 66** The above-mentioned documents formulated by the Audit Committee shall be disclosed in the annual reports.

## **Chapter V Terms of Reference of the Remuneration and Evaluation Committee of the Board of Directors**

### **Section 1 Composition**

**Article 67** The Remuneration and Evaluation Committee shall consist of three directors, including two independent directors.

**Article 68** Members of the Remuneration and Evaluation Committee and members of its working group shall be nominated by the chairman of the Board, or more than one-half of the independent directors or more than one-third of all the directors, and shall be elected by the Board.

**Article 69** The Remuneration and Evaluation Committee shall have one chairman, who shall be an independent director. The chairman of the committee shall be elected from the members of the committee and be reported to the Board for approval.

**Article 70** The term of office of the Remuneration and Evaluation Committee shall be identical to that of the Board. Members of the Remuneration and Evaluation Committee may be re-elected upon the expiration of the current term of office. Any member of the committee who ceases to be a director of the Company during the term shall be automatically disqualified as a member of the committee, and the vacancy shall be filled by the committee in accordance with Articles 67 to 69 above.

**Article 71** The Remuneration and Evaluation Committee has a working group which is its daily working organization. The working group is specifically responsible for providing information on the business operation of the Company and the relevant information of the persons to be appraised, as well as preparation of meetings of the Remuneration and Evaluation Committee and implementation of relevant resolutions of the committee.

## **Section 2 Duties and Authorities**

**Article 72** The main duties of the Remuneration and Evaluation Committee are:

- (1) formulating remuneration plans or schemes based on the main responsibilities, scope and importance of the management positions of the directors and senior management, and the remuneration levels of similar positions in other enterprises; and making recommendations to the Board as to the overall performance appraisal and remuneration management system and structure for the directors and senior management, and the establishment of proper and transparent formulation procedures of the remuneration policy;
- (2) reviewing and approving the management's proposal on remuneration based on the corporate goals and objectives set by the Board;
- (3) the appraisal and remuneration management system includes but is not limited to performance appraisal criteria and procedures, the main appraisal system, and the principal plan and system regarding incentive and penalty;
- (4) determining, with delegated responsibility of the Board, the remuneration packages of individual executive Directors and senior management or making recommendations to the Board for the remuneration package of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (5) making recommendations to the Board on the remuneration of non-executive Directors;
- (6) considering the remuneration package, time commitment, scope of responsibility of similar companies and other employment terms of other positions within the Group;



- (7) reviewing and approving the compensation due to executive directors and senior management for any loss or termination of office or appointment, so as to ensure that such compensation is consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is fair, reasonable and not excessive;
- (8) reviewing and approving compensation arrangements relating to the dismissal or removal of directors for misconduct or the like, so as to ensure that such arrangements are consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is reasonable and appropriate;
- (9) ensuring that no director or any of his associates is involved in the determination of his remuneration;
- (10) evaluating the performance of duties by the directors and senior management of the Company and conducting the annual performance evaluation on them;
- (11) supervising the implementation of the Company's remuneration system; and
- (12) other matters as authorized by the Board.

The directors referred to in the assessment objects of these Terms of Reference refer to the non-independent directors who receive remuneration from the Company, and senior management refers to the general manager, deputy general manager, chief financial officer, and Secretary to the Board engaged by the Board as well as other senior management members proposed by the general manager and engaged by the Board.

**Article 73** The remuneration plan for the directors of the Company proposed by the Remuneration and Evaluation Committee shall be approved by the Board and submitted to a shareholder's general meeting for approval before implementation. The remuneration distribution plan for the senior management of the Company shall be reported to the Board for approval before implementation.

### **Section 3 Working Procedures**

**Article 74** The working group under the Remuneration and Evaluation Committee shall be responsible for the preliminary preparations for decision making of the committee, and providing relevant information of the Company:

- (1) information on the Company's fulfilment of its main financial indicators and business objectives;
- (2) information on the division of work of the Company's senior management and their duties;
- (3) information on fulfilment of targets involved in the work performance assessment system of directors and senior management;



- (4) information on the business performance of business initiatives and profit-making ability of directors and senior management; and
- (5) the basis of measurement and calculation in relation to formulating the Company's remuneration distribution plan and method of distribution with reference to the performance results of the Company.

**Article 75** The procedures for appraising directors and senior management adopted by the Remuneration and Evaluation Committee:

- (1) the directors and senior management of the Company shall report their work and self-assessments to the Remuneration and Evaluation Committee;
- (2) the Remuneration and Evaluation Committee shall carry out performance assessments of the directors and senior management according to the performance assessment standards and procedures; and
- (3) a proposal on the amount of remuneration and method of reward for the directors and senior management based on the results of work performance assessments and remuneration distribution policy shall be, after a voting in its favor, reported to the Board.

#### **Section 4 Procedural Rules**

**Article 75** Meetings of the Remuneration and Evaluation Committee shall be held at least once every year. Members of the committee shall be notified three days prior to the meeting. The meetings shall be chaired by the chairman. Where the chairman is unable to attend, he/she may authorize another member of the committee who is an independent director to chair the meeting.

**Article 76** Meetings of the Remuneration and Evaluation Committee may only be convened with the presence of more than two-thirds of its members. Each member shall have one vote. Resolutions of the meeting shall be passed by more than one-half of all the members of the committee.

**Article 77** Votes at the meeting of the Remuneration and Evaluation Committee shall be made by a show of hands or by poll. Meetings may be convened by voting by communications.

**Article 78** The Directors, supervisors and senior management of the Company may be invited to attend the meetings of the Remuneration and Evaluation Committee without voting rights, where necessary.

**Article 79** Where necessary, the Remuneration and Evaluation Committee may engage intermediate agencies to provide professional advice for its decision-making, the cost of which shall be borne by the Company.

**Article 80** Where an issue involving a member of the Remuneration and Evaluation Committee is being deliberated at a committee meeting, such member shall be absent.

