INNOCARE
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InnoCare Pharma Limited
諾誠健華醫藥有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 9969)

TERMS OF REFERENCE FOR THE COMPENSATION COMMITTEE

Definitions

1. For the purposes of these terms of reference (the "**Terms**"):

   Board means the board of directors of the Company.

   Company Secretary means any one of the joint company secretaries of the Company.

   Directors means the members of the Board.

   Group means the Company and its subsidiaries and associated companies at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries and associated companies, the present subsidiaries and associated companies of the Company or the businesses operated by its present subsidiaries and associated companies or (as the case may be) its predecessor.

   Hong Kong Listing Rules means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time).

   Applicable Rules of the STAR Market means the PRC laws, regulations and normative documents applicable to the Company by virtue of the listing of its shares on the STAR Market of the Shanghai Stock Exchange.

   Compensation Committee means the compensation committee established by the resolution of the Board in accordance with clause 3 of these Terms.

Senior Management means the chairperson, chief executive officer, chief financial officer, chief technology officer and any other officers of the Company whose remuneration package is, or is proposed to be, more favourable than that of any officer appointed by the Board; and any other employees of the Company as determined by the Compensation Committee.

Shareholders means the shareholders of the Company.

2. The word "remuneration", as used in these Terms, includes without limitation any salaries, bonuses, allowances, benefits (in cash or in kind), pension arrangements, reimbursements, compensation payments (including any compensation payable for loss or termination of office or appointment), incentive payments and share options.

Constitution

3. The Compensation Committee was established by resolutions of the Board on September 27, 2019.

Membership

4. The members of the Compensation Committee shall be appointed by the Board from time to time from among the Directors and shall consist of not less than three members, a majority of whom shall be independent non-executive Directors. The quorum of a Compensation Committee meeting shall be any two members of the Compensation Committee one of whom must be independent non-executive Director.

5. The chairperson of the Compensation Committee shall be an independent non-executive Director and shall be appointed by the Board.

6. Members of the Compensation Committee shall hold office for a term concurrent with their terms as Directors.

7. Each member of the Compensation Committee shall be subject to the provisions of the Hong Kong Listing Rules and the applicable rules of the STAR Market, and other relevant requirements as the Board deems fit.

8. The Board shall have the power to remove or replace members of the Compensation Committee and to fill any vacancies thereon.

9. Each member of the Compensation Committee shall disclose to the Compensation Committee:

   (a) any personal financial interest (other than as a Shareholder of the Company) in any matter to be decided by the Compensation Committee; or

   (b) any potential conflict of interest arising from a cross-directorship.

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

Frequency and conduct of meetings

10. Unless otherwise stated herein, the meetings are governed by the provisions contained in the Company's Articles of Association for regulating the meeting and proceedings of Directors.

11. Meetings shall be held at least once a year. The chairperson of the Compensation Committee shall convene a meeting upon request by any member of the Compensation Committee.

12. An agenda and accompanying board papers should be sent in full to all Directors in a timely manner and at least 3 days before the intended date of a meeting of the Compensation Committee (or other agreed period).

13. Each member shall have one vote. Resolutions proposed at the meeting shall be passed by a majority of the total exercisable votes of members present at the meeting (comprising the votes of attending members and votes cast by them on behalf of absent members). A member who, due to special circumstances, is unable to present in person may appoint another member to attend the meeting and exercise their voting rights.

14. Senior Management is obliged to supply the Compensation Committee with adequate information in a timely manner, in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where a Director requires more information than information provided voluntarily by Senior Management, the relevant Director should make additional necessary enquiries. The Board and individual Directors shall have separate and independent access to the Senior Management.

Annual General Meetings

15. The chairperson of the Compensation Committee shall attend the Company's annual general meetings and be prepared to respond to any Shareholder's questions on the Compensation Committee's activities.

16. If the chairperson of the Compensation Committee is unable to attend an Annual General Meeting of the Company, he/she shall arrange for another member of the Committee, or failing this, his/her duly appointed delegate, to attend in his/her place. Such person shall be prepared to respond to any shareholder questions on the Committee's activities.

Authority

17. The Compensation Committee is authorised by the Board to discharge its duties within these Terms. It is authorised to seek any remuneration information it requires from the Directors and/or Senior Management who are directed to co-operate with the Compensation Committee.

18. The Compensation Committee is authorised by the Board to obtain external independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, at the company's expense, if it considers this necessary. The Compensation Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external remuneration consultant who advises the Compensation Committee.

Duties

19. The duties of the Compensation Committee shall include:

    (a) making recommendations to the Board on the Company's policy and structure for all Directors' and Senior Management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

    (b) reviewing and approve management's remuneration proposals with reference to the Board's goals and objectives;

    (c) being responsible for either:

        (i) determining with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management; or

(ii) 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;

(d) making recommendations to the Board on the remuneration of non-executive Directors;

(e) considering salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;

(f) reviewing and approving the compensation payable to executive Directors and Senior Management for any loss or termination of office or appointment in order to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

(g) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) ensuring that no Director or any of his associates is involved in deciding his own remuneration;

(i) reviewing the Group's policy on expense reimbursements for the Directors and Senior Management;

(j) reviewing and approving matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules; and

(k) considering and implementing other matters, as defined or assigned by the Board or otherwise required by the Hong Kong Listing Rules and the applicable rules of the STAR Market from time to time.

20. In carrying out its duties under these terms of reference, the Compensation Committee should:

(a) consult the chairperson of the Board and/or the chief executive about their remuneration proposals for other executive Directors and have access to independent professional advice if necessary;

(b) provide the packages needed to attract, retain and motivate executive Directors of the quality required, but avoid paying more than is necessary for this purpose;

(c) judge where to position the Group relative to other companies. They should be aware what comparable companies are paying and should take account of relative performance;

(d) be sensitive to the wider scene, including pay and employment conditions within the Group and elsewhere, especially when determining annual salary increases;

(e) ensure that the performance-related elements of remuneration form a significant proportion of the total remuneration package of executive Directors and are designed to align their interests with those of Shareholders and to give the Directors incentives to perform at the highest levels; and

(f) ensure the share options or awards offered by the Company and/or its principal subsidiary(ies) (if any) are in accordance with Chapter 17 of the Hong Kong Listing Rules (as amended and supplemented from time to time), as applicable, including and without limitation to:

(i) where share options or awards are granted with a vesting period of less than 12 months, forming views on why a shorter vesting period is appropriate and how such grants align with the purpose of the relevant share incentive scheme; and

(ii) where share options or awards are granted without performance targets and/or clawback mechanism, forming views as to why performance targets and/or a clawback mechanism is/are not necessary and how such grants align with the purpose of the relevant share incentive scheme.

21. Without prejudice to the generality of the terms of reference to the Compensation Committee set out above, the Compensation Committee shall:

(a) operate the Company's share option scheme or other incentives schemes as they apply to, and recommend to the general meeting of shareholders grants of options to be made to Directors and/or Senior Management. It shall recommend to the Board the total aggregate amount of any grants to employees (with the specific grants to individuals to be at the discretion of the Board) and make amendments to the terms of such schemes (subject to the provisions of the schemes relating to amendment);

(b) liaise with the trustee of any employee share option scheme which is created by the Company for the benefit of employees, Senior Management or Directors;

(c) review the terms of executive Directors' service contracts from time to time; and

(d) advise the Board in relation to the preparation of the Board's remuneration report (if any) to shareholders.

Reporting procedures

22. Full minutes of the Compensation Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary or his appointed delegate), and such minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.

23. Minutes of meetings of the Compensation Committee shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors, members or dissenting views expressed. Draft and final versions of minutes should be sent to all members of the Compensation Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.

24. Without prejudice to the generality of the duties of the Compensation Committee set out in these Terms, the Compensation Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on it to do so.

Provision of terms of reference

25. The Compensation Committee shall make available these Terms on request and by inclusion on the Hong Kong Stock Exchange's website, the Shanghai Stock Exchange's website and the Company's website, thereby explaining its role and the authority delegated to it by the Board.

Supplementary Provisions

26. Matters not covered herein shall be implemented in accordance with the applicable laws, regulations, regulatory documents promulgated by the securities regulatory authorities and the stock exchanges at the places where the Company's shares are listed, and the Memorandum and Articles of Association of InnoCare Pharma Limited (the "**Applicable Provisions**"). If any amendment to the Applicable Provisions after the effective date of these Terms of Reference causes any inconsistency between these Terms of Reference and the Applicable Provisions, the Applicable Provisions shall prevail.

27. These Terms of Reference shall come into effect and be implemented from the date of consideration and approval by the Board.

28. The right to interpret and amend these Terms of Reference resides with the Board.