

# **QUALITY HEALTHCARE ASIA LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(the “Company”)**

## **REVISED TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE**

### **1 Membership**

- (a) The Remuneration Committee (hereinafter referred to as the “Committee”) shall be appointed by the Board of Directors (“Board”) from amongst the Non-Executive Directors of the Company and shall consist of not less than three members. A majority of the members of the Committee should be Independent Non-Executive Directors (“INEDs”). Where there are only three INEDs as members of the Board, all of them shall be appointed as members of the Committee. The constitution of the Committee shall comply with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) from time to time.
- (b) The Board may at any time remove, suspend or replace any member of the Committee at its option by resolution where upon the Committee shall consist of the remaining or replaced members of the Committee.
- (c) The Chairman of the Committee shall be an INED and a member of the Committee elected by the Board.

### **2 Attendance at Meetings**

- (a) At all times the Chairman of the Board shall be notified of all meetings of the Committee and may be in attendance thereat, provided that he shall not be in attendance when his own remuneration package/benefits are being discussed.
- (b) The quorum of a meeting of the Committee shall be two members of the Committee, both of whom must be INEDs.
- (c) The Chairman of the Board and/or the Executive Director shall be, where appropriate, invited by the Committee to attend the meetings.
- (d) The Committee may, if necessary, invite the Human Resources Manager and other advisors to attend the meetings to advise its members.
- (e) The Company Secretary shall be the Secretary of the Committee who should attend all meetings of the Committee.
- (f) Members of the Committee may participate in a meeting of the Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

### **3 Frequency of Meetings**

Meetings shall be held not less than once a year. The Chairman of the Committee or any two members of the Committee may request a meeting if they consider that one is necessary. Committee meetings shall be arranged by the Secretary of the Committee upon instruction of the Chairman of the Committee.

### **4 Committee's Resolutions**

A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the members of the Committee. Such resolution may be signed and circulated by fax. This provision is without prejudice to any requirement under the Listing Rules for a Board or Committee meeting to be held.

### **5 Authorities and Purposes**

- (a) The Committee is authorised by the Board to review, assess and make recommendations upon, any issue within these terms of reference.
- (b) The Committee should utilise information achieved internally and externally to satisfy itself that base salaries are competitive with current market conditions and that the total remuneration package/benefits are competitive with other companies of a similar size, business nature and scope as the Company.
- (c) The purpose of the establishment of the Committee is to enable the Company to be more open and objective in the setting of its remuneration in respect of the Directors of the Board. In principle levels of remuneration should be sufficient to attract and retain the Directors required to run the Company successfully but the Company should avoid paying more than is necessary. The Board will upon receipt of the Committee's recommendations discuss the same and then formally adopt a formal and transparent procedure for setting such policies.
- (d) The Committee is to review and make recommendations concerning the remuneration packages and benefits of the Directors of the Board of the Company as an independent and impartial committee, who have no personal financial interest in the package and/or benefits recommended and who, in the setting of those remuneration packages, will consider and give due regard to both the performance levels of, and a fair reward for, the Directors of the Board of the Company and to the interest of all the shareholders of the Company in the light of the financial and commercial circumstances of the Company from time to time. No Director shall be involved in deciding his own remuneration.
- (e) The Committee must ensure that the Directors of the Board are fairly rewarded in the light of their contribution to the Company and their performance and that they receive suitable incentives to maintain high standards of performance and to improve their, and the Company's, performance.

- (f) The Committee is authorised by the Board, and at the reasonable expense of the Company, to obtain reasonable outside legal or other independent professional advice but only in accordance with the Company's policy for Directors to seek independent professional advice.
- (g) The Committee is to be provided with sufficient resources to discharge its duties.

## **6 Duties**

The duties of the Committee shall be:

- (a) to assess, review and make recommendations, once a year or as and when required, to the Board in respect of the remuneration packages and overall benefits for the Directors of the Board of the Company;
- (b) to make recommendations to the Board in relation to all consultancy agreements and service contracts, or any variations, renewals or modifications thereof, entered into between the Company and the Directors of the Board or any associate company of any of them;
- (c) to consider what details of the Directors' remuneration/benefits should be reported in addition to those required by law in the Company's annual report and accounts and how those details should be presented;
- (d) to be charged with the responsibility of making recommendations to the Board on the Company's policy and structure for the remuneration of Directors (including Non-Executive Directors) and other remuneration matters and on the establishment of a formal and transparent procedure for developing policy on such remuneration and also placing recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time;
- (e) to have the delegated responsibility to review and recommend the specific remuneration packages of all Executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of Non-Executive Directors. The Committee may consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the group and desirability of performance-based remuneration;
- (f) to review and recommend performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (g) to review and recommend the compensation payable to Executive Directors in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

- (h) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- (i) to ensure that no Director or any of his associates is involved in deciding his own remuneration;
- (j) to ensure that adequate retirement arrangements are put in place and maintained in respect of the Directors of the Board of the Company in the light of their performance during their time with the Company and not merely in regard to the previous one year's performance;
- (k) to cater for the Company to be in a position to offer and maintain competitive and attractive overall benefits to recruit and maintain high quality personnel at the Board level;
- (l) to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and
- (m) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or applicable law.

## **7 Reporting Procedures**

The Committee shall report to the Board. At the next meeting of the Board following a meeting/written resolution of the Committee, copy of the minutes/resolution setting out the findings, recommendations and decisions of the Committee shall be submitted to the Board.

## **8 Availability and update of the terms of reference**

These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements (e.g. the Listing Rules) in Hong Kong. These terms of reference shall be made available to the public by including the information on the Company's website.

*(updated as of 29 June 2005)*