

PegBio Co., Ltd.

TERMS OF REFERENCE OF THE REMUNERATION AND APPRAISAL COMMITTEE OF THE BOARD OF DIRECTORS

Chapter 1 General Provisions

Article 1 Pursuant to the Company Law of the PRC (the “**Company Law**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, and other relevant laws, regulations, regulatory documents as well as the Articles of Association of PegBio Co., Ltd. (the “**Articles of Association**”) applicable after the issuance of H Shares, PegBio Co., Ltd. (the “**Company**”) hereby establishes the Remuneration and Appraisal Committee of the Board and formulates the Terms of Reference of the Remuneration and Appraisal Committee of the Board of Directors of PegBio Co., Ltd. (the “**Terms of Reference**”) based on the actual conditions of the Company, in order to establish and further improve the remuneration and appraisal management system of the Company, and enhance its corporate governance structure.

Article 2 The Remuneration and Appraisal Committee is a specialized working body under the Board. It is mainly responsible for reviewing the assessment and remuneration plans or schemes of the directors and senior management.

Article 3 Directors mentioned in the Terms of Reference refer to the directors who receive remuneration from the Company, and the senior management refers to the general manager, deputy general manager (hired according to the needs of the Company), chief financial officer, secretary to the Board and other personnel appointed by the Board as senior management. The “general manager” mentioned in the Terms of Reference refers to the “manager” mentioned in the Company Law.

Chapter 2 Composition

Article 4 The Remuneration and Appraisal Committee shall consist of three or an odd number of over three directors, with a majority being independent non-executive directors.

Article 5 Members of the Remuneration and Appraisal Committee shall be nominated by the chairman of the Board or the Nomination Committee, and shall be elected by a majority of the directors of the Board. After the proposal for electing members of the Remuneration and Appraisal Committee has been approved, the new members of the Remuneration and Appraisal Committee shall take office immediately after the conclusion of the meeting of the Board.

Article 6 The members of the Remuneration and Appraisal Committee shall be appointed and removed by the Board. The Remuneration and Appraisal Committee shall report to the Board from time to time.

Article 7 The Remuneration and Appraisal Committee shall have one convener, being the chairman of the Remuneration and Appraisal Committee, who shall be an independent non-executive director. The chairman of the Remuneration and Appraisal Committee shall be appointed and removed by the Board and shall be in charge of the work of the Remuneration and Appraisal Committee. When the chairman of the Remuneration and Appraisal Committee is unable to or fails to perform his/her duties, an independent non-executive director shall be jointly elected by more than half of the members to perform the chairman’s duties.

Article 8 The term of office of the Remuneration and Appraisal Committee shall be the same as that of the Board. A member may serve consecutive terms if re-elected upon expiry of his/her term of office. During his/her term of office, if any member ceases to be a director, or any member with the capacity of an independent non-executive director ceases to have the independence as stated in the Company Law, the Articles of Association or the Listing Rules, he/she shall automatically be disqualified as a member of the Remuneration and Appraisal Committee. A member may submit his/her resignation report in writing to the Board prior to the expiry of his/her term of office to resign from his/her position in the Remuneration and Appraisal Committee. The resignation report shall include a statement of the reasons for such resignation and if necessary the matters that should be brought to the attention of the Board. Where the composition of the Remuneration and Appraisal Committee fails to meet the requirements specified in Article 4 and Article 7 of the Terms of Reference, the Board shall, according to the requirements of the Listing Rules, immediately state relevant details and reasons by announcement, and make adjustments or fill the vacancy according to Article 4 to Article 7 of the Terms of Reference within three months from the date when the relevant requirements are not met. The term of office for the member filling the vacancy shall expire upon the expiration of his/her term of office as a director. A member of the Remuneration and Appraisal Committee shall not, before the expiry of his/her term of office, be relieved of his/her duties without causes except for the situations that prevent such member from holding office as specified in the Company Law, the Articles of Association or the securities regulatory rules of the place where the Shares of the Company are listed, etc.

Chapter 3 Duties and Authorities

Article 9 The main duties and authorities of the Remuneration and Appraisal Committee are:

- (I) to make recommendations to the Board on the remuneration policies and structure for all directors and senior management based on their main responsibilities, time required to devote in, importance of their positions and the remuneration level of relevant positions in other similar enterprises, and the employment conditions of other positions in the Company, and on the establishment of a formal and transparent procedure for developing remuneration policies;
- (II) to review the management's remuneration proposals with reference to the Board's corporate policies and objectives;
- (III) to supervise the implementation of the Company's remuneration policies taking into account of the remuneration paid by similar companies, the time and responsibilities required, and the employment conditions of other positions within the Group;
- (IV) to make recommendations to the Board on the determination of the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments (including compensation payable for loss or termination of office or appointment), and to make recommendations to the Board on the remuneration of non-executive directors;
- (V) to consult the chairman of the Board or the general manager in respect of the remuneration proposed for other executive directors. The Remuneration and Appraisal Committee shall seek independent professional opinions if necessary;

- (VI) to assess performance of executive directors and approve the terms of executive directors' service contracts;
- (VII) to review and approve the compensation payable 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; and if not, the compensation should be fair and reasonable and not to be excessive;
- (VIII) to review and approve compensation arrangements relating to the dismissal or removal of directors for misconduct, so as to ensure that such arrangements are consistent with the contractual terms and are otherwise reasonable and appropriate;
- (IX) to ensure that any director or any of his/her associate (as defined in the Listing Rules and the same hereinafter) does not participate in the determination of his/her own remuneration; and in relation to a non-executive director who is also a member, his/her remuneration shall be determined by other members;
- (X) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and
- (XI) other matters authorized by the Board.

Article 10 The remuneration plans or schemes proposed by the Remuneration and Appraisal Committee shall not prejudice the interests of the shareholders. The Board shall have the right to reject any remuneration plans or schemes that prejudice the interests of the shareholders.

Article 11 The remuneration plans or schemes for the directors proposed by the Remuneration and Appraisal Committee shall be approved by the Board and submitted to a general meeting for consideration and approval before implementation. The remuneration plans or schemes for the senior management shall be reported to the Board for approval. The Remuneration and Appraisal Committee shall be accountable to the Board and proposals shall be submitted to the Board for consideration and approval. Where the Board fails to adopt or fails to fully adopt the recommendations of the Remuneration and Appraisal Committee, the Board shall record and disclose the recommendations of the Remuneration and Appraisal Committee and the specific reasons for the rejection in the Board resolutions. Relevant departments of the Company shall be obligated to cooperate with the Remuneration and Appraisal Committee and provide relevant materials.

Unless otherwise provided by the laws, administrative regulations or the Articles of Association, pursuant to the Listing Rules, the service contracts of directors or supervisors, which are subject to the shareholders' approval, include:

- (I) service contracts with a term of over three years; or
- (II) contracts which may not be terminated by the Company unless a more than one year's notice is given or a compensation or other payments amounting to more than one year's emoluments are made.

The Remuneration and Appraisal Committee shall make comments on the above service contracts of directors or supervisors which are subject to the shareholders' approval, notify shareholders on whether relevant contract terms are fair and reasonable, whether relevant contracts are in the interests of the Company and its shareholders as a whole, and shall put forward opinions on how shareholders (other than those shareholders who are directors or supervisors and have a material interest in such service contracts, as well as associates thereof) should vote.

It is the responsibility of the operating management to provide the Remuneration and Appraisal Committee with sufficient timely information to enable the Remuneration and Appraisal Committee to make informed decisions. The data provided by the operating management must be complete and reliable.

Article 12 The Remuneration and Appraisal Committee shall make available the Terms of Reference explaining its role and the authority delegated to it by the Board on the websites of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and the Company.

Chapter 4 Working Procedures

Article 13 The Board’s office is responsible for connecting and coordinating with the relevant departments to provide information related to human resources as well as individuals to be assessed, preparing for meetings of the Remuneration and Appraisal Committee and implementing relevant resolutions of the Board and the Remuneration and Appraisal Committee.

Article 14 The Company shall provide relevant information for the performance of duties of the Remuneration and Appraisal Committee:

- (I) the scope of work and performance of main duties of the directors and senior management;
- (II) the annual performance assessment results of the directors and senior management;
- (III) the historical remuneration levels of the directors and senior management;
- (IV) the remuneration plans or schemes of the Company formulated according to the results of the Company;
- (V) various remuneration systems and their implementation across the Company.

The Remuneration and Appraisal Committee performs the main duties under Article 9 of the Terms of Reference based on the information provided by the Company.

The chairman of the Remuneration and Appraisal Committee or (if the chairman is absent) another member of the Remuneration and Appraisal Committee (who must be an independent non-executive director) shall attend the annual general meeting of the Company and respond to the enquiries from shareholders regarding the activities and responsibilities of the Remuneration and Appraisal Committee.

Chapter 5 Rules of Procedure

Article 15 The meetings of the Remuneration and Appraisal Committee shall be held at least once a year. An extraordinary meeting of the Remuneration and Appraisal Committee may be convened when the chairman of the Remuneration and Appraisal Committee deems it necessary, or upon the proposal of more than half of members of the Remuneration and Appraisal Committee or the chairman of the Board.

Article 16 The meetings of the Remuneration and Appraisal Committee shall be convened by the chairman of the Remuneration and Appraisal Committee. Notices of meetings, signed by the chairman of the Remuneration and Appraisal Committee, and materials for meetings shall be delivered to all members of the Remuneration and Appraisal Committee three days prior to the meeting (excluding the date of the meeting). Upon unanimous consent of all members of the Remuneration and Appraisal Committee, the requirement for such prior notice period may be exempted.

Article 17 The meetings of the Remuneration and Appraisal Committee shall be presided over by the chairman of the Remuneration and Appraisal Committee; if the chairman of the Remuneration and Appraisal Committee is unable to attend, he/she may entrust another member (who shall be an independent non-executive director) to preside over the meeting.

Article 18 The quorum of meetings of the Remuneration and Appraisal Committee shall be at least two-thirds of the members, including at least one independent non-executive director. 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 matters delegated and scope of authorization and the validity period, and shall be signed or stamped by the appointer and submitted to the presider of the meeting no later than the time when voting takes place in the meeting. If a member fails to attend a meeting of the Remuneration and Appraisal Committee and fails to appoint another member to attend on his/her behalf, he/she shall be deemed to have waived his/her right to vote at that meeting.

The resolutions made by the Remuneration and Appraisal Committee shall be approved by a majority of all members, and relevant resolutions and minutes of meetings shall be signed by the participating members. Each member shall have one vote and 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 Remuneration and Appraisal Committee shall have a casting vote.

Article 19 Meetings of the Remuneration and Appraisal Committee may be held by on-site meetings, tele-conferences, video conferences, circulation of documents, facsimile, email or other appropriate means.

Article 20 Directors, supervisors, senior management and external advisors may be invited to attend meetings of the Remuneration and Appraisal Committee when necessary. Persons attending the meetings may explain or illustrate the matters discussed at the meetings, but non-members of the Remuneration and Appraisal Committee shall have no voting rights.

Article 21 The Company shall provide sufficient resources to the Remuneration and Appraisal Committee to perform its duties. The senior management and relevant departments shall adopt a cooperative and supportive attitude towards the Remuneration and Appraisal Committee, provide relevant information and actively cooperate with the Remuneration and Appraisal Committee. If necessary, the Remuneration and Appraisal Committee may engage independent intermediary institutions to provide professional opinions for its decision-making. The employment term and fees of the relevant intermediary institutions shall be decided by the Remuneration and Appraisal Committee. The reasonable expenses incurred shall be borne by the Company.

Article 22 In any of the following circumstances, a member shall disclose to the Remuneration and Appraisal Committee in advance, and abstain from the discussion and resolution of the Remuneration and Appraisal Committee in relation to relevant issues:

- (I) evaluating the said member or discussing his/her remuneration;
- (II) evaluating the associate of the said member or discussing his/her remuneration; and
- (III) other circumstances where the said member has interests or may be affected in making objective and fair judgments.

Article 23 The convening procedures, voting method and approved remuneration policies and allocation schemes of the meetings of the Remuneration and Appraisal Committee shall comply with the provisions of relevant laws, administrative regulations, the regulatory rules of the place where the Shares of the Company are listed, the Articles of Association and the Terms of Reference.

Article 24 The Remuneration and Appraisal Committee shall keep written minutes of its meetings, which should record in sufficient detail the matters considered and decisions reached at the meetings, including any concerns raised or dissenting views expressed by the directors. Draft and final versions of the minutes of the meetings shall be circulated to all members within a reasonable time after the end of the meetings. The draft versions are for their comment and the final versions are for their record. The minutes of the meetings shall be signed by the members present at the meetings, and shall be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.

Article 25 Resolutions passed at the meetings of the Remuneration and Appraisal Committee and the voting results shall be reported in writing to the Board for consideration.

The Company shall disclose in its annual report its policy on directors' remuneration, details of remuneration of senior management by band and other matters related to remuneration, according to the relevant requirements of the Listing Rules.

Article 26 Members present at meetings of the Remuneration and Appraisal Committee and persons attending such meetings shall perform a duty of confidentiality regarding matters discussed at such meetings. No unauthorized disclosure of such information shall be allowed, unless otherwise stipulated under relevant laws, administrative regulations, regulatory rules of the place where the Shares of the Company are listed or the relevant regulatory bodies such as the securities regulatory authorities of the place where the Shares of the Company are listed.

Chapter 6 Supplementary Provisions

Article 27 The phrase "more than" as referred to herein is inclusive of the number while "majority" is exclusive of the number.

Article 28 The Terms of Reference shall be deliberated and approved by the Board, and shall come into force and be implemented from the day on which H Shares of the Company in the public offering are listed and traded on the main board of Hong Kong Stock Exchange. The Terms of Reference shall be amended and interpreted by the Board.

Article 29 Matters not covered herein shall be implemented in accordance with the relevant provisions of relevant laws, administrative regulations, regulatory documents, regulatory rules of the place where the Shares of the Company are listed and the Articles of Association. Where the Terms of Reference conflicts with any provisions of relevant laws, administrative regulations, regulatory documents, regulatory rules of the place where the Shares of the Company are listed or the Articles of Association, such provisions of relevant laws, administrative regulations, regulatory documents, regulatory rules of the place where the Shares of the Company are listed and the Articles of Association shall prevail. Where the Terms of Reference conflicts with the laws, administrative regulations, regulatory documents or regulatory rules of the place where the Shares of the Company are listed which are promulgated in the future or the Articles of Association as amended through lawful procedures, such provisions of relevant laws, administrative regulations, regulatory document, regulatory rules of the place where the Shares of the Company are listed and the Articles of Association shall prevail, and the Terms of Reference shall be amended accordingly as soon as practicable and submitted to the Board for consideration and approval.