

SHENZHEN EDGE MEDICAL CO., LTD.

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

CHAPTER I GENERAL PROVISIONS

Article 1 In order to establish and further improve the remuneration and appraisal management system of Shenzhen Edge Medical Co., Ltd. (the “**Company**”) and enhance its corporate governance structure, the Company hereby has established the Remuneration Committee of the Board of Directors of the Company (“**the Board of Directors**”) by a resolution of the Board of Directors pursuant to the Company Law of the People’s Republic of China (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, normative documents and the Articles of Association of Shenzhen Edge Medical Co., Ltd. (the “**Articles of Association**”) applicable after the issuance of H Shares, and formulated the Terms of Reference of the Remuneration Committee of the Board of Directors of Shenzhen Edge Medical Co., Ltd. (the “**Terms of Reference**”) by taking into account the actual conditions of the Company.

Article 2 The Remuneration Committee is a specialized working body set up under the Board of Directors, which is principally responsible for researching and formulating assessment standards for, and conducting evaluations of, the directors, supervisors and senior management, as well as putting forward opinions or suggestions. It is also responsible for researching, formulating and reviewing the remuneration plans or schemes of the Company’s directors, supervisors and senior management.

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

CHAPTER II COMPOSITION

Article 4 The Remuneration Committee shall consist of at least three directors, the total number of members of the Committee shall be an odd number. Half or more of the members of the Remuneration Committee shall be independent non-executive directors.

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

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

Article 7 The Remuneration Committee shall have a convener, i.e. the chairperson of the committee, who shall be an independent non-executive director and appointed by the Board of Directors to be responsible for presiding over the work of the committee. In the event that the chairperson of the committee is incapable of performing or not performing his/her duties, an independent non-executive director shall be jointly elected by more than half of the members of the committee to act in his/her stead.

Article 8 The term of office of the Remuneration Committee shall be the same as that of the Board of Directors. A member shall be eligible for re-election upon the expiration of his/her term of office. If a member ceases to be a director of the Company during the term of office, or a member who shall be an independent non-executive director ceases to be independent as required under the provisions of the Articles of Association and the Listing Rules, he/she shall be automatically disqualified as a member. A member of the Remuneration Committee may submit a resignation report in writing to the Board of Directors prior to the expiration of his/her term of office to resign as a member of the committee from his/her existing position. The resignation report shall contain necessary explanations on the reasons for resignation and the matters that need to be brought to the attention of the Board of Directors of the Company. If the members of the Remuneration Committee fail to comply with Articles 4 and 7 as set out in these Terms of Reference due to the member's resignation, removal from office or others causes, the Board of Directors shall promptly issue an announcement in accordance with the requirements of the Listing Rules to disclose the details of and reasons for such non-compliance. The Board of Directors shall, within three months from the date of failure to meet the requirements stipulated above, fill the vacancy in accordance with Articles 4 to 7 as set out in these Terms of Reference. The term of office of any member who fills the vacancy shall last until the end of the term of office of such member as a director. A member shall not be removed from his/her duty without cause prior to the expiration of his/her term of office, unless he/she is prohibited from holding office under the provisions of the Company Law, the Articles of Association or the Listing Rules.

CHAPTER III DUTIES AND AUTHORITIES

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

- (i) to make recommendations to the Board of Directors and oversee the implementation thereof on the Company's overall policy and structure for directors', supervisors' and senior management's remuneration, include without limitation to the performance evaluation standards, procedures and major evaluation systems, and major plans and systems of incentive and punishment and on the establishment of a formal and transparent procedure for developing remuneration policy based on the main scope, time commitments, responsibility and importance of the respective positions of directors, supervisors and senior management and the remuneration of the same position paid by comparable companies as well as the employment conditions of other positions within the group;
- (ii) to review and approve the remuneration recommendations of the management according to the corporate guidelines and goals set by the Board of Directors;
- (iii) to examine the performance of duties by the directors and senior management of the Company, to conduct annual performance appraisals on them, and to formulate annual incentives schemes which shall be submitted to the Board of Directors for approval and implementation;

- (iv) to supervise the implementation of the Company's remuneration system;
- (v) to make recommendations to the Board of Directors on the determination of the remuneration packages of individual executive directors, supervisors 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 of Directors on the remuneration of non-executive directors;
- (vi) to consult the chairperson of the Board of Directors or the general manager in respect of the remuneration proposed for other executive directors. The Remuneration Committee shall seek independent professional opinions if necessary;
- (vii) to review and approve the compensation payable to executive directors, supervisors 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 is otherwise fair, reasonable and not 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 associates, as defined in the Listing Rules, shall not participate in determining his/her own remuneration, and that the remuneration of a non-executive director who is also members of the Remuneration Committee shall be determined by other members of the Remuneration Committee;
- (x) to review incentives schemes, matters relating to share schemes under Chapter 17 of the Listing Rules and directors' service contracts;
- (xi) other matters authorized by the Board of Directors.

Article 10 The remuneration plans or schemes proposed by the Remuneration Committee shall not prejudice the interests of the shareholders. The Board of Directors 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 and supervisors of the Company proposed by the Remuneration Committee shall be approved by the Board of Directors and submitted to the shareholders' general meeting for consideration and approval before implementation (if applicable). The remuneration plans or schemes for the senior management of the Company shall be reported to the Board of Directors for approval. The Remuneration Committee shall be accountable to the Board of Directors and proposals of the Remuneration Committee shall be submitted to the Board of Directors for consideration. Relevant departments of the Company shall be obligated to cooperate with the Remuneration Committee and provide relevant materials. Sufficient resources shall be made available to the Remuneration Committee for its fulfillment of duties and responsibilities.

According to the Listing Rules, the above service contracts of directors or supervisors which are subject to 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 at least one year's notice is given, or compensation or other amounts equivalent to at least one year's emoluments are paid.

The Remuneration Committee shall make comments on the above service contracts of directors or supervisors which are subject to the shareholders' approval, notify the 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 the 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.

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

CHAPTER IV WORKING PROCEDURES

Article 13 The human resource and administration department of the Company as the daily working body of the Remuneration Committee, is responsible for providing information on the human resources of the Company and the relevant information of the appraisees, preparing meetings of the Remuneration Committee and implementing relevant resolutions of the Board of Directors and the Remuneration Committee.

Article 14 The human resource and administration department of the Company is in charge of the preliminary preparation for the decision-making of the Remuneration Committee. It provides information regarding the Company as follows:

- (i) major financial indicators and fulfilment of operation objectives of the Company;
- (ii) the scope of work and performance of main duties of the directors, supervisors and senior management of the Company;
- (iii) extent of fulfilment of indicators in performance evaluation system of the directors, supervisors and senior management of the Company;
- (iv) the business performance driven by the business innovation capability and profit-making ability of directors, supervisors and senior management of the Company;
- (v) relevant calculation basis of the remuneration plans or schemes formulated according to the results of the Company;
- (vi) maintaining daily working contact with the intermediary designated by the Remuneration Committee;
- (vii) providing information on various remuneration systems and their implementation situation across the Company at the request of the Remuneration Committee.

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

The chairperson of the Remuneration Committee or (if the chairperson is absent) another member of the Remuneration Committee (who must be an independent non-executive director) shall attend the annual general meeting of the Company and respond to the shareholders' enquiry on the activities and responsibilities related to the Remuneration Committee.

CHAPTER V RULES OF PROCEDURE

Article 15 Meetings of the Remuneration Committee shall be held at least once a year. Meetings of the Remuneration Committee may be convened by the chairperson of the Remuneration Committee as he/she deems it necessary, upon the proposal of more than half of the members or recommendation of the chairperson of the Board of Directors.

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

Article 17 Meetings of the Remuneration Committee shall be presided over by the chairperson of the Remuneration Committee; if the chairperson is unable to attend, he/she may entrust another independent non-executive director to preside over the meetings.

Article 18 The quorum of meetings of the Remuneration 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 the meetings, he/she may by a written power of attorney appoint another member to attend and vote at the meetings on his/her behalf. The power of attorney shall set out the name of the proxy, the matters delegated, scope of authorization and the validity period, and shall be signed or stamped by the appointer and submitted to the presider of the meetings no later than the time when voting takes place in the meetings.

The resolutions made at the meetings of the Remuneration Committee shall be approved by a majority of all members, and relevant resolutions or opinions shall be signed by the members of the Remuneration Committee who attend the meetings. 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 chairperson of the Remuneration Committee shall have a casting vote.

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

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

Article 21 The Company should provide the Remuneration Committee with sufficient resources to perform its duties. The senior management and relevant departments of the Company shall support and cooperate with the Remuneration Committee, provide relevant information and actively cooperate with the work of the Remuneration Committee. If necessary, the Remuneration Committee may engage independent intermediary institutions to provide professional opinions for its decision-making. The reasonable expenses shall be borne by the Company.

Article 22 In any of the following circumstances, a member of the Remuneration Committee shall disclose to the Remuneration Committee in advance and shall recuse when the Remuneration Committee discusses and votes on such matters:

- (i) when evaluating such member himself/herself or discussing his/her remuneration;
- (ii) when evaluating the associate (as defined in the Listing Rules) of such member or discussing his/her remuneration;
- (iii) other circumstances where such 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 Committee shall comply with the provisions of relevant laws, regulations, the Articles of Association and the Terms of Reference.

Article 24 Minutes of meetings of the Remuneration Committee shall be prepared, and members present at the meeting shall sign the minutes of meetings. Minutes of meetings shall be kept by the secretary to the Board of Directors of the Company.

Article 25 Resolutions passed by the Remuneration Committee and the voting results shall be reported in writing to the Board of Directors of the Company for consideration.

Article 26 Members present at meetings of the Remuneration 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, regulations, and/or by regulatory bodies.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 27 In the Terms of Reference, the term “above” shall include the given figure, while the term “more than” shall not include the given figure.

Article 28 The Terms of Reference shall be deliberated and approved by the Board of Directors, and shall come into force and be implemented from the day on which the oversea listing foreign shares (H Shares) of the Company in the initial public offering are listed and traded on the Hong Kong Stock Exchange. The Terms of Reference shall be amended and interpreted by the Board of Directors.

Article 29 Any matters not covered herein shall be implemented in accordance with the provisions of relevant laws, regulations, departmental rules, the Listing Rules and the Articles of Association. Where the Terms of Reference conflict with any provisions of relevant laws, regulations, departmental rules, the Listing Rules and any other regulatory rules of the place(s) where the shares of the Company are listed or the Articles of Association, such laws, regulations, departmental rules, the Listing Rules and any other regulatory rules of the place(s) 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 of Directors for consideration and approval.

(If there is any inconsistency between the Chinese and English versions of this document, the Chinese version shall prevail.)

Shenzhen Edge Medical Co., Ltd.