

**SHENZHEN SDMC TECHNOLOGY CO., LTD.**

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

(considered and approved at the 14th meeting of the sixth session of the Board held on April 30, 2025, effective from the date of listing and trading of the Company's overseas listed foreign shares on The Stock Exchange of Hong Kong Limited upon approval by the relevant regulatory authorities)

May 2026

# **Shenzhen SDMC Technology Co., Ltd.**

## **TERMS OF REFERENCE OF THE REMUNERATION AND APPRAISAL COMMITTEE OF THE BOARD**

### **CHAPTER I GENERAL PROVISIONS**

**Article 1** To further formulate and refine the appraisal and remuneration management system for the Directors and senior management of Shenzhen SDMC Technology Co., Ltd. (hereinafter referred to as the “Company”), and to improve the corporate governance structure, the Company has formulated these terms of reference in accordance with the provisions of the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic 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”) and other relevant laws, administrative regulations, departmental rules, normative documents as well as the Articles of Association of Shenzhen SDMC Technology Co., Ltd. (hereinafter referred to as the “Articles of Association”) and the Rules of Procedures for Meetings of the Board of Shenzhen SDMC Technology Co., Ltd. after taking into account the actual conditions of the Company.

**Article 2** The Remuneration and Appraisal Committee is a specialized committee established under the Board and is responsible for and reports to the Board.

**Article 3** The Remuneration and Appraisal Committee is mainly responsible for developing the appraisal standards and conducting appraisals for the Directors and senior management, and responsible for formulating and reviewing the remuneration policies and plans of the Directors and senior management.

**Article 4** The Directors mentioned in these terms of reference refer to the Directors who receive remuneration from the Company; senior management refer to the general manager, deputy general manager, chief financial officer, secretary to the Board who are appointed by the Board, and other senior management members who are recognized by the Board.

### **CHAPTER II COMPOSITION OF THE REMUNERATION AND APPRAISAL COMMITTEE**

**Article 5** The Remuneration and Appraisal Committee consists of three Directors of the Company, of which independent non-executive Directors constitute a majority. If there are other provisions stipulated in laws, administrative regulations, or the securities regulatory rules of the place where the Company’s Shares are listed, such requirements shall also be met.

**Article 6** The members of the Remuneration and Appraisal Committee shall be nominated by the chairman of the Board, more than half of the independent non-executive Directors, or more than one-third of all Directors, and shall be elected by more than half of the Board members.

**Article 7** The Remuneration and Appraisal Committee has a committee chairman (convenor), who must be an independent non-executive Director, and is responsible for presiding over the work of the Remuneration and Appraisal Committee. The chairman is elected by the Remuneration and Appraisal Committee and approved by the Board.

**Article 8** The term of office of the members of the Remuneration and Appraisal Committee shall be consistent with the term of office of the Directors. Upon expiration of the term of a member, such member may serve consecutive term if re-elected. During the term of office, if any member no longer serves as a Director of the Company or a member who should have the status of an independent non-executive Director no longer has the independence stipulated in the Articles of Association, such person will automatically lose his/her membership qualification and the Board will make up for the number of committee members in accordance with Articles 5 to 7.

**Article 9** The Remuneration and Appraisal Committee shall set up a working group, which is a daily operation organization, specifically responsible for providing information on the Company's operations and the relevant information about the appraised personnel, organizing the meetings of the Remuneration and Appraisal Committee and implementing the relevant resolutions of the Remuneration and Appraisal Committee. The members of the working group need not be members of the Remuneration and Appraisal Committee.

### **CHAPTER III DUTIES AND AUTHORITIES**

**Article 10** The main duties of the Remuneration and Appraisal Committee include the following:

- (I) to formulate remuneration plans or proposals based on the main duties, scope, importance, time commitment of the positions of Directors and senior management and other necessary factors such as the remuneration level of relevant positions in society; remuneration plans or proposals mainly include but not limited to, performance evaluation standards, procedures and primary evaluation systems, major plans and systems for rewards and punishments, among others, and should include non-monetary benefits, pension rights and compensation amounts (including compensation for loss or termination of office or appointment);
- (II) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- (III) to make recommendations to the Board on the remuneration of non-executive Directors;
- (IV) to consider the remuneration paid by similar companies, the time commitment and responsibilities as well as the employment conditions of other positions within the Company;
- (V) to study the evaluation standards for Directors and senior management and make recommendations to the Board, review the performance of duties by the Company's Directors (not independent non-executive Directors) and senior management and conduct their annual performance appraisals;

- (VI) to review and approve compensation payable to the executive Directors and senior management officers for loss or termination of office or appointment to ensure that such compensation is consistent with the terms of the contract; if not consistent with the terms of the contract, such compensation must be fair and reasonable and not excessive;
- (VII) to review and approve the compensation arrangements involved in the dismissal or removal of Directors due to misconduct to ensure that such arrangements are consistent with the terms of the contract; if not consistent with the terms of the contract, such compensation must be reasonable and appropriate;
- (VIII) to ensure that no Director or any of his/her associates is involved in the determination of his/her own remuneration;
- (IX) to be responsible for supervising the implementation of the Company's remuneration rules and review the relevant remuneration policies on a regular basis;
- (X) to review and/or approve matters related to share schemes as described in Chapter 17 of the Hong Kong Listing Rules;
- (XI) matters as required in applicable laws, regulations, the Hong Kong Listing Rules and the Articles of Association, and other matters authorized by the Board.

**Article 11** The proposals of the Remuneration and Appraisal Committee shall be submitted to the Board for consideration and decision.

**Article 12** The remuneration plan for the Company's Directors proposed by the Remuneration and Appraisal Committee must be reported to and approved by the Board, and then submitted to the general meeting for review and approval before implementation; the remuneration distribution plan for the Company's senior management must be reported to the Board for approval before implementation.

**Article 13** The Board has the power to veto remuneration plans or proposals that prejudice the interests of shareholders.

#### **CHAPTER IV DECISION-MAKING PROCESS**

**Article 14** The working group under the Remuneration and Appraisal Committee is responsible for the preliminary preparation work for decision-making by the Remuneration and Appraisal Committee and providing information on the following relevant aspects of the Company:

- (I) the completion status of the Company's major financial indicators and operating indicators;
- (II) the responsible scope of work and main duties of the senior management of the Company;

- (III) the completion status of the indicators involved in the work performance appraisal system for the positions of Directors and senior management;
- (IV) the operating performance of the Directors and senior management in terms of business innovation capabilities and profit-generating capabilities;
- (V) the relevant calculation basis for the Company's proposed remuneration allocation plan and distribution method in accordance with the Company's performance.

**Article 15** The Remuneration and Appraisal Committee's appraisal and evaluation procedures for Directors and senior management are as follows:

- (I) the Directors and senior management of the Company report their work and self-evaluation to the Remuneration and Appraisal Committee;
- (II) the Remuneration and Appraisal Committee conducts performance appraisal on the Directors and senior management in accordance with the performance appraisal standards and procedures;
- (III) to make proposal on the amount of remuneration and the method of rewards for the Directors and senior management according to the performance appraisal results of their positions and the remuneration distribution policy for voting and approval before submission to the Board of the Company.

**Article 16** If necessary, the Remuneration and Appraisal Committee may engage an intermediary to provide professional advice for its decision-making, and the relevant reasonable expenses are borne by the Company.

## **CHAPTER V RULES OF PROCEDURES**

**Article 17** Meetings of the Remuneration and Appraisal Committee are divided into regular meetings and extraordinary meetings. Regular meetings of the Remuneration and Appraisal Committee shall be convened at least once a year, and shall be notified to all members of the committee five days before the date of the regular meeting. The extraordinary meetings of the Remuneration and Appraisal Committee shall be notified to all members three days before the meeting. The aforementioned notice period may be exempted with unanimous agreement of all members.

The means of notification include, but not limited to, personal delivery, fax, letter, e-mail or telephone.

**Article 18** Meetings of the Remuneration and Appraisal Committee shall be convened and presided over by the committee chairman. If the committee chairman is unable or fails to perform his/her duties, he/she shall designate another committee member to act on his/her behalf; when the chairman (convenor) of the Remuneration and Appraisal Committee neither fulfills his/her duties nor designates any other member to act on his/her behalf, the other two members may negotiate and elect one of them to act as the chairman (convenor) of the Remuneration and Appraisal Committee.

**Article 19** The notice of meeting should at least include the following:

- (I) time, place and convening method of the meeting;
- (II) the duration of the meeting;
- (III) topics to be discussed at the meeting;
- (IV) the contact person of the meeting and his/her contact information;
- (V) the date of the notice of the meeting.

If the notification is made by telephone, it should contain at least the contents as set out in items (I) and (II) above, a written record must be prepared and the meeting documents must be dispatched to all members before the meeting.

**Article 20** Meetings of the Remuneration and Appraisal Committee may be held on site or via communication conference. The communication conferences include telephone conferences, video conferences, and written proposal meetings.

**Article 21** Meetings of the Remuneration and Appraisal Committee may be held only by the presence of more than two-thirds of the members; each member has one vote; proposals made at the meeting must be passed by more than half of all members. If there is a conflict of interest between members of the Remuneration and Appraisal Committee and the matters discussed at the meeting, they should abstain from deliberation and voting. If the number of voting members, as a result, falls short of two, the Remuneration and Appraisal Committee should submit the matters to the Board for consideration.

**Article 22** Members of the Remuneration and Appraisal Committee shall attend the meeting in person and express clear opinions on the matters under review. When a member is unable to attend the meeting in person for some reason, he/she should review the meeting materials in advance, form clear opinions, and entrust another member in writing to attend and express his/her opinions on his/her behalf. Members shall not make or accept an appointment of proxy without voting intention, an appointment with full discretion or an appointment with unclear scope of authorization.

**Article 23** If a committee member entrusts another member to attend the meeting and exercise voting rights on his/her behalf, a power of attorney shall be submitted to the chairman of the meeting no later than the voting at the meeting.

**Article 24** The power of attorney shall be signed by both the principal and the proxy, and should include at least the following contents:

- (I) name of the principal;
- (II) name of the proxy;
- (III) entrusted matters;

- (IV) instructions for exercising voting rights on meeting topics (agree, disagree, abstain);
- (V) period of the authorization;
- (VI) date of signing the power of attorney.

**Article 25** If a member of the Remuneration and Appraisal Committee neither attends the meeting in person nor appoints another member to attend the meeting on his/her behalf, he/she is deemed to be absent from the relevant meeting. If a member fails to attend two consecutive meetings, he/she is deemed to be unable to perform his/her duties and powers properly, and the Board of the Company may remove him/her from his/her position as a member.

**Article 26** The voting for the meetings of the Remuneration and Appraisal Committee is conducted by a show of hands or by ballot.

**Article 27** When a meeting of the Remuneration and Appraisal Committee is convened via written proposals, such proposals should be served to all members by fax, email, express mail, or personal delivery. After members vote on the proposals, they shall return the originals to the Company for filing. If the number of members who sign in approval meets the requirements specified in these terms of reference, the proposal constitutes a resolution of the committee.

**Article 28** The Remuneration and Appraisal Committee may invite other Directors and senior management of the Company to attend the meeting as non-voting delegates, if necessary.

**Article 29** The procedures for convening the meeting of the Remuneration and Appraisal Committee, the voting method and the remuneration policy and distribution plan adopted at the meeting must comply with the provisions of the relevant laws, administrative regulations, other normative documents, the Hong Kong Listing Rules, the Articles of Association and these terms of reference.

**Article 30** Minutes of the meetings shall be kept by the Remuneration and Appraisal Committee. The first draft and final version of the minutes of the meeting shall be dispatched to all members present at the meeting within a reasonable period of time after the meeting for expression of opinions on the first draft and for record purpose with the final version, and members who have attended the meeting shall sign on the minutes of meeting. If the attending members have objections to the meeting resolution, they should be noted in the meeting minutes. The minutes of meetings shall be kept by the secretary to the Board of the Company, and shall be kept for at least 10 years during the existence of the Company.

**Article 31** The meeting minutes should include at least the following:

- (I) date, location, method, and name of the convener of the meeting;
- (II) names of attendees at the meeting, and those who are entrusted by others to attend the meeting should be specifically noted;

(III) the voting method for each resolution or proposal and the voting results indicating the number of affirmative, negative, or abstention votes;

(IV) other matters that should be explained and recorded in the meeting minutes.

**Article 32** The proposals and voting results passed at the meetings of the Remuneration and Appraisal Committee shall be reported to the Board of the Company by the committee members or the secretary to the Board of the Company no later than the day after the effective date of the meeting resolutions (unless it is restricted by laws or regulations from making such report).

**Article 33** Members attending the meeting and persons attending the meeting as non-voting delegates are obligated to keep confidential the matters discussed at the meeting and shall not disclose the relevant information without authorization.

## CHAPTER VI ANNUAL GENERAL MEETING

**Article 34** The chairman of the committee is required to attend the annual general meeting of the Company and be prepared to answer any question raised by shareholders on matters relating to the duties of the Remuneration and Appraisal Committee.

**Article 35** If the chairman of the committee is unable to attend the annual general meeting of the Company, he/she must make arrangement for another committee member to attend the general meeting. Such person shall be prepared to answer questions raised by shareholders regarding the work of the Remuneration and Appraisal Committee at the annual general meeting.

## CHAPTER VII SUPPLEMENTAL PROVISIONS

**Article 36** Unless otherwise specified, the terms used in these terms of reference shall have the same meaning as those used in the Articles of Association.

**Article 37** The terms “above” and “within” mentioned in these terms of reference are inclusive of the number mentioned; “exceeds”, “beyond”, “less than” and “over” are exclusive of the number mentioned.

**Article 38** For any matters not covered by these terms of reference, the Company shall comply with the relevant laws, administrative regulations, the securities regulatory rules of the place where the Company’s Shares are listed, the Articles of Association, the resolutions of the Company’s general meetings and the Board or provisions of other relevant rules and regulations for implementation; if these terms of reference are inconsistent with the provisions of the relevant laws, administrative regulations, the securities regulatory rules of the place where the Company’s Shares are listed or the Articles of Association, the provisions of the relevant laws, administrative regulations, the securities regulatory rules of the place where the Company’s Shares are listed and the Articles of Association prevail for implementation.

**Article 39** The Board is responsible for the formulation and amendment of these terms of reference, as well as their interpretation.

**Article 40** These terms of reference have been considered and approved by the Board of the Company, and take effect from the date of listing and trading of the Company's overseas listed foreign shares (H shares) issued in the initial public offering on The Stock Exchange of Hong Kong Limited.

**Shenzhen SDMC Technology Co., Ltd.**