

ESTUN AUTOMATION CO., LTD

Terms of Reference of the Remuneration and Appraisal Committee of the Board of Directors

(Applicable upon the Issuance and Listing of H Shares)

Chapter 1 General Provisions

Article 1 In order to further establish and improve the appraisal and incentive mechanisms for directors and senior management of ESTUN AUTOMATION CO., LTD (the “Company”), and improve the Company’s corporate governance structure, these Terms of Reference are formulated in accordance with the Company Law of the People’s Republic of China, the Guidelines of Self-regulation of Companies Listed on Shenzhen Stock Exchange No. 1 – Standard Operation of Main Board Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), the Articles of Association of ESTUN AUTOMATION CO., LTD (the “Articles of Association”), and other relevant regulations.

Article 2 The Remuneration and Appraisal Committee of the Board of Directors (the “Board”) is a specialized committee established under the Board. Its primary duties are to establish appraisal criteria and conduct assessments for directors and senior management of the Company; formulate and review compensation policies and plans for directors and senior management of the Company, and be accountable to the Board.

Article 3 The term “director” referred to in these Terms of Reference means the chairman of the Board and directors of the Company, and “senior management” means the general manager, deputy general manager, secretary to the Board, financial director, and other senior management personnel appointed by the Board as stipulated by the Articles of Association.

The term “independent director” as used in these Terms of Reference shall have the same meaning as “independent non-executive director” under the Hong Kong Listing Rules.

Chapter 2 Composition

Article 4 The Remuneration and Appraisal Committee shall consist of three directors, including at least two independent directors.

Article 5 Members of the Remuneration and Appraisal Committee shall be nominated by the chairman of the Board, or a majority of the independent directors, or more than one-third of all directors, and shall be elected by the Board.

Article 6 The Remuneration and Appraisal Committee shall have one chairperson (convener), who shall be an independent director and responsible for presiding over the work of the Committee. The chairperson shall be elected from the committee members and appointed upon approval by the Board.

Article 7 The term of office of the Remuneration and Appraisal Committee shall be the same as that of the Board. Upon expiry of the term, members may be re-elected for consecutive terms. Should any member cease to hold the position of director of the Company during the term of office, he or she shall automatically lose his or her qualification as a member, and the vacancy shall be filled in accordance with Articles 4 to 6 above.

Chapter 3 Functions and Powers

Article 8 The functions and powers of the Remuneration and Appraisal Committee shall include the powers set out in the relevant code provisions of Appendix C1 Corporate Governance Code to the Hong Kong Listing Rules (as amended from time to time).

Article 9 The Remuneration and Appraisal Committee shall be responsible for establishing appraisal criteria and conducting assessments for directors and senior management of the Company, as well as formulating and reviewing compensation policies and plans such as remuneration decision mechanisms, decision-making processes, payment and cessation of payment and recovery arrangements for directors and senior management. The Committee shall also make recommendations to the Board on the following matters:

- (i) the remuneration of directors and senior management;
- (ii) to formulate or amend share incentive plans, employee stock ownership plans (including matters in relation to the share schemes as set out in Chapter 17 of the Hong Kong Listing Rules), and the granting of rights to incentive recipients and the conditions and achievements for exercising such rights by incentive recipients;
- (iii) the arrangement of stock ownership plans for directors and senior management in the event of a proposed spin-off of a subsidiary;
- (iv) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (v) to make recommendations to the Board on the remuneration of directors and senior management;
- (vi) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (vii) to review and approve compensation payable to executive directors and senior management 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, or if not, such compensation is fair and reasonable and not excessive for the Company;
- (viii) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms, or if not, such compensation payment is reasonable and appropriate;

- (ix) to ensure that no director or any of his/her associates (as defined in Rules 14A.12 and 14A.13 of the Hong Kong Listing Rules) is involved in deciding his/her own remuneration;
- (x) to review the performance of duties by the Company's directors and senior management and to conduct annual performance appraisals on them;
- (xi) to be responsible for monitoring the implementation of the remuneration system of the Company;
- (xii) other matters stipulated by laws, administrative regulations, the provisions of the China Securities Regulatory Commission, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, as well as the Articles of Association.

If recommendations of the Remuneration and Appraisal Committee are not adopted or fully adopted by the Board, the opinions of the Remuneration and Appraisal Committee and the specific reasons thereof shall be recorded in the resolutions of the Board and disclosed accordingly.

Article 10 The Board shall have the right to vote down remuneration plans or proposals that would jeopardize the interest of the shareholders.

Article 11 The Remuneration and Appraisal Committee shall provide opinions on matters including whether the share incentive plan and employee stock ownership plan are in favor of the Company's sustainable development, whether they harm the Company's interests and the legitimate rights and interests of minority shareholders, the solicitation of employee opinions prior to the plan's implementation, and whether the Company has compelled employees to participate in the stock ownership plan through methods such as apportionment or forced allocation.

The Remuneration and Appraisal Committee may, if deemed necessary, recommend that the Company engage an independent financial advisor to provide professional opinions on the feasibility of share incentive plans or employee stock ownership plans, whether they are beneficial to the sustainable development of the listed company, whether they harm the Company's interests, and their impact on shareholders' interests. If the Company fails to engage an independent financial advisor as recommended, it shall provide a special explanation regarding this matter.

The Remuneration and Appraisal Committee shall exercise relevant functions and powers over the Company's share incentive matters in accordance with the Administrative Measures for Share Incentives of Listed Companies.

Article 12 The Remuneration and Appraisal Committee shall disclose its terms of reference on the websites of The Stock Exchange of Hong Kong Limited and the Company, and explain its role and the authorities delegated to it by the Board.

Article 13 The remuneration plans for the Company's directors proposed by the Remuneration and Appraisal Committee must be submitted to the Board for approval and then to the shareholders' general meeting for consideration and approval before implementation. The remuneration allocation plans for the Company's senior management personnel must be approved by the Board.

Article 14 The Remuneration and Appraisal Committee shall conduct an annual review to assess whether the decision-making process for the remuneration of directors and senior management complies with rules, whether the basis for determination is reasonable, whether it harms the interests of the Company and all shareholders, and whether the disclosure of directors' and senior management's remuneration in the annual report aligns with actual circumstances. The Committee shall issue the review report and submit it to the Board.

Chapter 4 Evaluation Process

Article 15 The working group under the Remuneration and Appraisal Committee is responsible for preparing the preliminary work for the decisions of the Remuneration and Appraisal Committee, including providing relevant company information in the following areas:

- (i) information on the main financial indicators and completion of business objectives of the Company;
- (ii) information on the division of work of the Company's senior management and their main responsibilities;
- (iii) information on the fulfillment of targets involved in the work performance assessment system of directors and senior management;
- (iv) information on the operational performance of directors and senior management, including their business innovation capacities and profitability;
- (v) basis for relevant measurement adopted in the formulation of remuneration distribution plans and distribution methods of the Company according to the performance of the Company.

Article 16 The procedures for evaluating directors and senior management adopted by the Remuneration and Appraisal Committee include:

- (i) the directors and senior management of the Company shall report their work and conduct self-assessment to the Remuneration and Appraisal Committee of the Board;
- (ii) the Remuneration and Appraisal Committee shall carry out performance appraisal of the directors and senior management according to the performance appraisal standards and procedures;
- (iii) the Remuneration and Appraisal Committee shall propose the remuneration amount and incentive method for the directors and senior management according to the performance appraisal results and remuneration distribution policy, which shall be reported to the Board after being approved by voting.

Chapter 5 Committee Meetings

Article 17 The meetings of the Remuneration and Appraisal Committee are divided into regular meetings and extraordinary meetings. Regular meetings shall be convened at least twice a year in principle, while extraordinary meetings may be convened upon the proposal of more than half of the Committee members or the chairperson of the Committee. Notice of the meeting of the Remuneration and Appraisal Committee shall be given to all members three days prior to the meeting. In urgent circumstances where an extraordinary meeting of the Remuneration and Appraisal Committee must be convened as soon as possible, such notice may be given at any time by telephone or orally, provided that the convener shall give an explanation at the meeting. Meetings shall be presided over by the convener. If the convener is unable to attend, another member (independent director) may be entrusted to preside over the meeting.

Article 18 Meetings of the Remuneration and Appraisal Committee shall be held with the attendance of more than half of its members. Each member shall have one vote. Resolutions of the meeting shall be passed by more than half of all members.

Article 19 Voting at the meetings of the Remuneration and Appraisal Committee shall be conducted by a show of hands or by ballot; and extraordinary meetings may also be conducted by means of communication.

Article 20 The Remuneration and Appraisal Committee may invite directors and senior management of the Company to attend its meetings, if necessary.

Article 21 Where necessary, the Remuneration and Appraisal Committee may engage intermediaries to provide professional advice for its decision-making at the expense of the Company.

Article 22 When the Remuneration and Appraisal Committee meeting discusses matters relating to a member of the Committee, the person concerned shall recuse himself or herself from the discussion.

Article 23 The convening procedures, voting methods, and the remuneration policies and distribution plans adopted at the Remuneration and Appraisal Committee meetings shall comply with relevant laws and regulations, the Articles of Association, and these Terms of Reference.

Article 24 Minutes shall be prepared for meetings of the Remuneration and Appraisal Committee. Members attending the meeting shall sign the minutes of the Committee, and the opinions of independent directors shall be recorded therein. The minutes shall be kept by the secretary to the Board of the Company for a period of not less than ten years.

Article 25 The proposals approved and voting results at the Remuneration and Appraisal Committee meetings shall be submitted to the Board of the Company in writing.

Article 26 Members attending the meeting shall be under an obligation of confidentiality in respect of the matters discussed at the meeting and shall not disclose any relevant information without authorization.

Chapter 6 Supplementary Provisions

Article 27 For the purposes of these Terms of Reference, the expressions “above” shall include the number mentioned, while “over” and “less than” shall exclude it.

Article 28 These Terms of Reference shall be interpreted by the Board.

Article 29 Any matters not covered in these Terms of Reference or, where the provisions hereof are inconsistent with the relevant provisions of the national laws, administrative regulations, securities regulatory rules of the place where the Company’s shares are listed, or the Articles of Association, such provisions of laws, administrative regulations, securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association shall prevail. In the event of any conflict between these Terms of Reference and any laws, regulations, rules, or securities regulatory rules of the place where the Company’s shares are listed that are promulgated thereafter, or the Articles of Association as amended through lawful procedures, such laws, regulations, rules, securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association shall prevail.

Article 30 These Terms of Reference shall take effect and be implemented from the date on which the Company’s H shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited after filing with the China Securities Regulatory Commission, following consideration and approval by the Board. Upon the effectiveness of these Terms of Reference, the original Terms of Reference of the Remuneration and Appraisal Committee of the Board of Directors of the Company shall automatically cease to be effective.