

**TERMS OF REFERENCE FOR THE REMUNERATION AND
APPRAISAL COMMITTEE
(APPLICABLE UPON THE ISSUANCE AND LISTING OF H
SHARES)**

Shenzhen Zhaowei Machinery & Electronics Co., Ltd.

CHAPTER I GENERAL PROVISIONS

Article 1 In order to further establish a comprehensive appraisal and remuneration management system of directors (the “Director(s)”) (i.e. non-independent Directors, unless otherwise specified by relevant laws, administrative regulations or securities regulatory rules of the place where the Company’s shares are listed, including executive Directors and non-executive Directors under the Hong Kong Listing Rules; hereinafter the same meaning applies) and senior management members of Shenzhen Zhaowei Machinery & Electronics Co., Ltd. (the “Company”) and improve the corporate governance of the Company, the Company has established the remuneration and appraisal committee (the “Remuneration and Appraisal Committee”) under the board of Directors (the “Board”) with these terms of reference (the “Terms of Reference”) in accordance with the Company Law of the People’s Republic of China 《中華人民共和國公司法》 (the “Company Law”), the Code of Corporate Governance for Listed Companies 《上市公司治理準則》, the Measures for the Administration of Independent Directors of Listed Companies 《上市公司獨立董事管理辦法》, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), Appendix C1 to the Hong Kong Listing Rules (the “CG Code”), the Articles of Association of Shenzhen Zhaowei Machinery & Electronics Co., Ltd. (the “Articles of Association”) and other relevant provisions.

Article 2 The Remuneration and Appraisal Committee is a specific working body established by the Board, which shall be primarily responsible for formulating the appraisal standards and conducting appraisal for the Directors and senior management members of the Company, and setting up and reviewing the remuneration policy and plans for the same, and reporting to the Board, and shall be accountable to the Board.

Article 3 The Board office of the Company shall be responsible for the daily liaison and meeting organization of the Remuneration and Appraisal Committee. The human resources department of the Company shall serve as the daily working body of the Remuneration and Appraisal Committee, and shall be responsible for all preparatory work before the decision-making of the Remuneration and Appraisal Committee.

CHAPTER II COMPOSITION

Article 4 The Remuneration and Appraisal Committee comprises at least 3 members who shall be Directors, a majority of whom shall be independent Directors (unless otherwise specified by relevant laws, administrative regulations and securities regulatory rules of the place where the Company’s shares are listed, the “independent Director” herein shall include the meaning of “independent non-executive Director” under the Hong Kong Listing Rules; hereinafter the same meaning applies).

Article 5 Members of the Remuneration and Appraisal Committee shall be nominated by the chairman of the Board, no less than half of independent Directors or no less than one-third of all Directors, and shall be elected by the Board.

Article 6 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. No members of the Remuneration and Appraisal Committee shall, before the expiration of their terms of office, be removed from office without reason except for the circumstances that require dismissal as stipulated by the Company Law, the Articles of Association or these Terms of Reference.

Article 7 During the term of office, where a member of the Remuneration and Appraisal Committee ceases to hold the position of a Director of the Company or is no longer suitable for the position of a member (for example, a member who should have the status of an independent Director no longer meets the independence requirements under the Hong Kong Listing Rules), such member shall automatically lose his/her qualification as a member.

A member of the Remuneration and Appraisal Committee may tender his/her resignation before the expiration of his/her term of office. The member shall tender a written resignation report to the Board, and the resignation report shall take effect only after being approved by the Board. Moreover, before a newly elected member takes office, the former member shall still perform the relevant duties in accordance with the provisions in these Terms of Reference. Where an independent Director's resignation would result in the proportion of independent Directors in the Remuneration and Appraisal Committee failing to comply with the provisions herein, the independent Director who intends to resign shall continue to perform his/her duties until a new independent Director is appointed. The Company shall complete the by-election within 60 days from the date on which the independent Director tenders his/her resignation.

Article 8 Where the number of the members of the Remuneration and Appraisal Committee decreases due to resignation, removal or other reasons, the Company's Board shall, in accordance with the provisions in these Terms of Reference, elect new members as soon as possible.

Article 9 The Remuneration and Appraisal Committee shall have one convener (also referred to as the Chairperson of the Remuneration and Appraisal Committee), who shall be an independent Director among the members and shall be elected by the Board.

The Chairperson shall take charge of the work of the Remuneration and Appraisal Committee, convene and preside over the committee meetings. Where the Chairperson is unable or fails to perform his/her duties, he/she shall designate an independent Director member to act on his/her behalf; if the Chairperson neither performs his/her duties nor designates another member to act on his/her behalf, any member may report the matter to the Company's Board, and the Company's Chairman shall designate an independent Director member to act on behalf of such Chairperson.

CHAPTER III DUTIES AND AUTHORITIES

Article 10 The main duties and authorities of the Remuneration and Appraisal Committee are as follows:

- (I) to make recommendations to the Board on the remuneration policy and structure for all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (II) to review and approve proposals on the management's remuneration with reference to the corporate goals and objectives formulated by the Board;
- (III) to be authorized to determine the specific remuneration packages of individual executive Directors and senior management members, or make recommendations to the Board on the remuneration packages of individual executive Directors and senior management members;
- (IV) to make recommendations to the Board on the remuneration of the non-executive Directors;
- (V) to consider certain factors, such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management and employment conditions elsewhere in the Group;
- (VI) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (VII) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (VIII) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- (IX) to review and/or approve matters relating to share options or share award schemes as referred to in Chapter 17 of the Hong Kong Listing Rules;
- (X) other duties and authorities stipulated by the Hong Kong Listing Rules or other laws, regulations and rules.

Article 11 The Remuneration and Appraisal Committee shall be responsible for formulating the appraisal standards and conducting appraisal for the Directors and senior management members, setting up and reviewing the remuneration policy and plans for the same, and making recommendations to the Board on the following matters:

- (I) the remuneration of the Directors and senior management members;
- (II) the formulation or change of share incentive schemes and employee share ownership schemes; the grant of interests to the participants of incentive schemes and the satisfaction of relevant conditions precedent for such granting;
- (III) the arrangement of shareholding plan by the Directors and senior management members in the subsidiary to be spun off;
- (IV) other matters stipulated by laws, administrative regulations, provisions of the CSRC and the Shenzhen Stock Exchange, securities regulatory rules of the place where the Company's shares are listed, as well as the Articles of Association.

Article 12 The Board has the right to reject remuneration plans or proposals contrary to the interests of the shareholders. If the Board fails to adopt or fails to fully adopt the recommendations of the Remuneration and Appraisal Committee, the recommendations of the Remuneration and Appraisal Committee and the specific reasons for not adopting the same shall be recorded in the resolution of the Board and disclosed.

Article 13 The remuneration plans for the Directors of the Company proposed by the Remuneration and Appraisal Committee shall be approved by the Board and submitted to a shareholders' meeting for approval before implementation; and the remuneration distribution proposals for senior management members of the Company shall be approved by the Board.

CHAPTER IV DECISION-MAKING PROCEDURES

Article 14 The human resources department of the Company is responsible for making preliminary preparations for the decision making of the Remuneration and Appraisal Committee, and providing relevant information of the Company:

- (I) to provide information on the Company's fulfilment of its main financial indicators and business objectives;
- (II) to provide information on the division of work of the Company's senior management members and their main duties;
- (III) to provide information on the fulfilment of indicators involved in the work performance assessment system of the Directors and senior management members;
- (IV) to provide information on the performance indicators of the Directors and senior management members in innovation and profitability of operations;
- (V) to provide the basis of calculation in formulating the Company's remuneration distribution plan and method with reference to the results of the Company.

Article 15 The procedures for appraising Directors and senior management members adopted by the Remuneration and Appraisal Committee include that:

- (I) the Directors and senior management members of the Company shall report their work and self-assessment results to the Remuneration and Appraisal Committee under the Board;
- (II) the Remuneration and Appraisal Committee shall carry out performance assessments on the Directors and senior management members according to the performance assessment standards and procedures;
- (III) the committee shall propose the remuneration amount and form of reward for the Directors and senior management members according to the performance assessment results and remuneration distribution policy, and shall report the same to the Board of the Company after they are passed by way of voting.

Article 16 The human resources department of the Company shall perform the internal approval procedures for the meeting documents in accordance with the Company's internal management system and submit the documents to the Board office.

Article 17 The Board office shall submit the meeting documents to the Chairperson of the Remuneration and Appraisal Committee for review. The meetings of the Remuneration and Appraisal Committee shall be convened in a timely manner upon consideration and approval.

Article 18 The Remuneration and Appraisal Committee shall convene meetings to adopt reports, resolutions or make recommendations, and submit these in writing to the Board of the Company. For matters requiring consideration and approval by the Board or the shareholders' meeting, the Remuneration and Appraisal Committee shall submit proposals to the Board and follow the consideration and approval procedures stipulated in relevant laws, regulations and the Articles of Association.

Article 19 Where more than half of the Board members raise objections to reports or resolutions adopted at meetings of the Remuneration and Appraisal Committee, they may submit written feedback to the Remuneration and Appraisal Committee in a timely manner.

CHAPTER V RULES OF PROCEDURE

Article 20 Meetings of the Remuneration and Appraisal Committee are irregular and shall be held when necessary and as proposed by its members.

Article 21 In principle, the meetings of the Remuneration and Appraisal Committee shall be held on-site, however, under the premise of ensuring full communication among and expression of opinions by all participating Directors, the meetings may be held by way of video, telephone or other means in accordance with the procedures if necessary.

Article 22 Where the Remuneration and Appraisal Committee convenes a meeting, the Company shall in principle provide relevant materials and information no later than three days prior to such meeting. In urgent circumstances requiring the prompt convening of an extraordinary meeting, the requirements regarding notification means and time limits set forth in the preceding paragraph shall not be applied, provided that the Chairperson shall make an explanation at such meeting.

Article 23 A meeting of the Remuneration and Appraisal Committee requires the attendance of two-thirds or more of its members to constitute a quorum.

Article 24 Members of the Remuneration and Appraisal Committee shall proactively participate in and attend the committee meetings in person. Where a member is unable to attend in person due to exceptional circumstances, he/she must review meeting materials in advance, formulate explicit opinions, and provide written authorization to another independent Director to act as proxy. When performing his/her duties, an independent Director identifies matters of significance falling within the Remuneration and Appraisal Committee's duty, he/she may, in accordance with relevant procedure, timely propose such matters for discussion and consideration by the Remuneration and Appraisal Committee.

Article 25 The Remuneration and Appraisal Committee may, if considered necessary, invite other persons in connection with the proposals to attend the meeting to provide detailed information or express their opinions. Those who are not members of the Remuneration and Appraisal Committee, however, do not have voting rights on the proposals.

Article 26 Matters proposed at the meeting of the Remuneration and Appraisal Committee are subject to collective consideration and voting on a case-by-case basis, which means that all the proposals are considered by all members present and then are put to be voted one by one according to the order of consideration.

Article 27 When voting on relevant matters at the meetings of the Remuneration and Appraisal Committee, the members who are interested in the matters to be considered shall abstain from such voting.

Article 28 Each member shall be entitled to one vote when voting at the meetings of the Remuneration and Appraisal Committee. Resolutions made by the Remuneration and Appraisal Committee shall not be valid unless passed by more than half of all members voting thereon.

Article 29 Voting at the meetings of the Remuneration and Appraisal Committee may be conducted by open ballot, a show of hands, communications or other means.

Article 30 The procedures for convening meetings of the Remuneration and Appraisal Committee, the method of voting and resolutions approved at the meetings shall comply with the provisions of relevant laws, regulations, securities regulatory rules of the place where the Company's shares are listed, the Articles of Association and these Terms of Reference.

Article 31 Proposals and voting results adopted at the meetings of the Remuneration and Appraisal Committee shall be reported to the Board of the Company in writing.

Article 32 The meeting of the Remuneration and Appraisal Committee shall be recorded as required, and the minutes of the meeting shall be true, accurate and complete, and shall fully reflect the opinions of the attendees on the matters under consideration. The opinions of the independent Directors shall be stated in the minutes of the meeting. The Directors, secretary of the Board and recorder attending the meeting shall sign the minutes of the meeting for confirmation, which shall be kept by the secretary to the Remuneration and Appraisal Committee duly appointed (generally company secretary or his/her duly appointed delegate). The draft and final versions of minutes should be sent to all members of the committee within a reasonable time after the meetings. The draft versions of minutes are for their comments and the final versions of minutes are for their records. The Directors of the Company may inspect the minutes at a reasonable time upon reasonable notice.

Article 33 The meeting records of the Remuneration and Appraisal Committee, including notices, meeting materials, attendance rolls, written forms of proxy for member attendance, ballot papers, minutes signed by attending members and resolutions, shall be maintained by the Board office. The meeting records of the Remuneration and Appraisal Committee shall be kept for ten years.

Article 34 Before the resolutions at the meeting of the Remuneration and Appraisal Committee are announced by the Company in accordance with the legal procedure, the attending members, other attendants, and recorder and service personnel shall fulfill confidentiality obligation to the contents of resolutions.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 35 Any matters not covered herein shall be subject to the relevant national laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

In the event that these Terms of Reference contravene any national laws, regulations, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, the latter shall prevail.

Article 36 The term "independent Director" in these Terms of Reference shall include the meaning of "independent non-executive Director" under the Hong Kong Listing Rules.

Article 37 These Terms of Reference shall be subject to the amendment and interpretation of the Board of the Company.

Article 38 These Terms of Reference, after consideration and approval by the Board of the Company, shall come into effect from the date on which H Shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

Shenzhen Zhaowei Machinery & Electronics Co., Ltd.
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