

Phancy Group Co., Ltd.
範式智能技術集團股份有限公司

**TERMS OF REFERENCE AND RULES OF PROCEDURES OF
THE REMUNERATION AND APPRAISAL COMMITTEE
UNDER THE BOARD**

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to further establish a sound remuneration management system and consummate corporate governance structure of Phancy Group Co., Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”), the Remuneration and Appraisal committee under the Board is established and these terms of reference and rules of procedures (the “**Terms of Reference**”) are formulated in accordance with relevant laws and regulations of the Company Law of the People’s Republic of China (the “**Company Law**”), the Securities Law of the People’s Republic of China (“**Securities Law**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and the requirements of the Articles of Association of Phancy Group Co., Ltd. (the “**Articles of Association**”).

Article 2 The Remuneration and Appraisal Committee (the “**Committee**”) is a specialized working body under the Board and is principally responsible for setting appraisal standards for and conducting appraisal of directors and senior management, formulating and reviewing remuneration policies and programs such as determination mechanism, decision-making process, payment and stop payment, and recourse arrangements of the remuneration of directors and senior management, and performance evaluation and incentive mechanism, as well as other remuneration-related matters, and making relevant recommendations to the Board. Upon the approval by the Board, relevant recommendations will be proposed for consideration at the general meeting.

Article 3 For the purpose of these Terms of Reference, senior management means the general manager, deputy general manager and secretary of the Board of the Company and other senior management personnel specified in the Articles of Association.

CHAPTER 2 COMPOSITION

Article 4 The Committee shall consist of three (or more) directors who shall be directly appointed by the Board and the majority of whom shall be independent non-executive directors. The Committee shall be chaired by an independent non-executive director.

Article 5 Members of the Committee shall attend regular meetings of the Committee, and shall actively express their opinions on matters proposed at the meetings and have a thorough understanding of the roles and responsibilities of the Committee.

Article 6 The secretary of the Board or the joint company secretaries of the Company or their proxy shall be the secretary of the Committee.

Article 7 Members of the Committee shall disclose to the chairman of the Committee the following matters:

- (I) any personal financial interest (other than as a shareholder) in any matter to be decided by the Remuneration and Appraisal Committee; and
- (II) any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and abstain from participating in the discussions concerning such resolutions, and shall resign from the Remuneration and Appraisal Committee (at the request of the Board).

CHAPTER 3 DUTIES AND RESPONSIBILITIES

Article 8 The duties and responsibilities of the Committee shall include:

- (I) making recommendations to the Board on the Company's policy and structure for the remuneration of all directors and senior management and establishment of a formal and transparent procedure for the formulation of a remuneration policy;
- (II) reviewing and approving remuneration proposals of senior management with reference to corporate goals and objectives as the Board may determine from time to time;
- (III) being responsible, as the Board directs, for making recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);
- (IV) making recommendations to the Board on the remuneration of non-executive directors (including independent non-executive directors) of the Company, advisors to the Board (if any) and members of various committees under the Board;
- (V) reviewing and approving 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, reasonable and not excessive;
- (VI) reviewing and approving 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;
- (VII) making recommendations to the Board on the establishment or change of the equity incentive plan and employee stock ownership plan, the granting of rights and interests to the participants, and the satisfaction of conditions for exercising rights and interests;

- (VIII) making recommendations to the Board on the arrangement of shareholding plans for directors and senior management in the subsidiaries proposed to be spun off;
- (IX) the responsibilities and authorities of the Remuneration and Appraisal Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code as contained in Appendix C1 of the Hong Kong Listing Rules (as amended from time to time);
- (X) handling other matters stipulated by existing laws, regulations, regulatory documents, the Articles of Association and these Terms of Reference, requirements of the securities regulatory authorities of the Company's place of listing and other matters as authorized by the Board.

Article 9 The remuneration plans proposed by the Committee for directors of the Company shall be subject to approval by the Board and subsequently at the general meeting. The foregoing remuneration plans shall not damage the interests of shareholders.

Article 10 Pursuant to Rule 13.68 of the Hong Kong Listing Rules, the Committee shall advise on directors' service agreements requiring the approval of shareholders. It shall notify shareholders of whether relevant terms in the agreements are fair and reasonable, whether such agreements are in the interest of the Company and its shareholders as a whole, and shall advise on procedures for shareholders (except for shareholders who are directors and who have material interest in such service agreements as well as their associates) to vote. The aforesaid directors' service agreements requiring shareholders' approval include agreements with a service term longer than three years, agreements providing for more than a one-year prior notice shall be given or compensation or other expenses equal to the remuneration of more than one year shall be paid if the Company terminates the agreements, and agreements required by the securities regulatory authorities of the Company's place of listing.

Article 11 The Committee shall be responsible for reviewing and/or approving all disclosure statements in relation to the Remuneration and Appraisal Committee, including but not limited to relevant disclosure statements in annual reports, semi-annual reports, and information uploaded to the websites of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company.

Article 12 Subject to the Corporate Governance Code (the "**Governance Code**") set out in the Hong Kong Listing Rules, the Committee shall exercise other powers, authorities and discretions delegated by the Board to it from time to time in determining the remuneration of executive directors, non-executive directors and senior management, as well as perform other duties and responsibilities.

Article 13 In performing its duties in accordance with these Terms of Reference, the Committee shall:

- (I) encourage the senior management to establish a remuneration culture which is in line with the Group's overall strategy, and supports the realization of the Group's vision, mission and values, and provide competitive packages to attract, retain and motivate high caliber executive directors of the Company with reference to market practice;
- (II) consult the chairman of the Board and/or the general manager about the remuneration proposals for other executive directors and senior management. The Committee may seek independent professional advice if necessary;
- (III) determine the position of remuneration package paid by the Company relative to other companies in the industry in which the Company operates, by considering the level of remuneration paid by comparable companies in industry in which the Company operates, time commitment and responsibilities, and employment conditions elsewhere in the Group;
- (IV) be sensitive to market practice, including salary and employment conditions within the Company and elsewhere in the industry in which the Company operates, especially when determining annual salary increases;
- (V) ensure that the part of remuneration linked to corporate and individual performance contributes a significant portion of the total remuneration package of executive directors and senior management, in order to motivate employees, align their interests with those of the shareholders, attract and retain talent, and to facilitate each of the directors and senior management to provide the highest level services to the Company;
- (VI) ensure that none of the directors and their associates (within the meaning of the Hong Kong Listing Rules) would participate in the determination of their own remuneration;
- (VII) ensure that the share options and/or awards to be granted to the directors or senior management by the Company, if any, are in compliance with the requirements of Chapter 17 of the Hong Kong Listing Rules, if applicable, and that the Company's employee incentive plan is in compliance with applicable regulations;
- (VIII) work closely with other committees under the Board and communicate with other committees appropriately on a regular basis to ensure the timely supervision of the remuneration management of the Company; and
- (IX) upload these Terms of Reference to the websites of the Stock Exchange and the Company to explain its role, duties and authority delegated to it by the Board.

CHAPTER 4 POWER

Article 14 The Committee has the right to seek adequate resources and administrative support from the senior management of the Group for the work of the Committee and has separate and independent access to the senior management of the Group.

Article 15 The senior management shall provide the Committee with all necessary information appropriate for the Committee to discharge its responsibilities in a timely manner. The Committee has the right to request any member of the senior management of the Group to promptly and as comprehensively as possible respond to the queries raised by any member of the Committee.

Article 16 Members of the Committee may, upon reasonable request, seek independent professional advice for their decision-making in appropriate circumstances, at the Group's expense. In the event of seeking professional advice from an external consultant, such consultant shall be appointed by the chairman of the Committee and its opinions shall be directly submitted to the chairman of the Committee (independent of the senior management).

CHAPTER 5 RULES OF PROCEDURE

Article 17 The Remuneration and Appraisal Committee is responsible for formulating the appraisal standards and conducting appraisal for the directors and senior management, formulating and reviewing remuneration policy and plans for the directors and senior management, and providing advice to the Board on the following matters:

- (I) remuneration of directors and senior management;
- (II) the formulation or amendment of equity incentive schemes and employee share ownership schemes, the grant of entitlements to incentive recipients and the satisfaction of the conditions for exercising such entitlements;
- (III) arranging stock ownership plans for directors and senior management in subsidiaries to be spun off;
- (IV) other matters as stipulated by laws, administrative regulations, requirements of China Securities Regulatory Commission, requirements of the securities regulatory authorities of the places where the company's shares are listed and the Articles of Association.

If the Board does not adopt or does not fully adopt the recommendations of the Remuneration and Appraisal Committee, it shall record the opinion of the Remuneration and Appraisal Committee and the specific reasons for its non-adoption in a resolution of the Board and disclose the same.

Article 18 The Committee shall convene regular meetings at least once a year and in principle before the periodic meetings of the Board. Notice shall be given to all members no less than 3 days prior to the meeting. Such notice period may be waived with the written consent of more than half of the members of the Committee.

Article 19 Extraordinary meetings may be convened upon proposal by the chairman or more than half of all members of the Committee. Notices of extraordinary meetings shall be given to all members no less than 3 days prior to the meeting. Such notice period may be waived with the written consent of more than half of the members of the Committee.

Article 20 Materials and notice of the meetings of the Committee shall be issued simultaneously. Members shall familiarize themselves fully with the meeting materials prior to the meeting.

Article 21 In principle, the meetings of the Committee shall be convened by way of a physical meeting in the presence of more than half of all members. However, in order to allow all members to fully express their opinions, the meetings may also be convened by telecommunication means or circulation of written resolutions. Telecommunication means refers to the use of telephone, video conference and other means to participate in the meeting; circulation of written resolutions refers to the way of making decision on proposals through separate or circulated service. The quorum of the meetings of the Committee shall be two members of the Committee, one of whom must be an independent non-executive director.

Article 22 The chairman of the Committee shall preside over meetings of the Committee. In the event that the chairman of the Committee is unable to attend, another member (who is an independent non-executive director) may be designated to preside over the meetings. If such designation is not made, more than half of the members being present shall select a member (who is an independent non-executive director) to preside over the meetings.

Article 23 Members of the Committee shall attend the meetings in person. In the event that a member is unable to attend, he/she may authorize another member in writing to attend and vote on his behalf. The proxy who attends and votes at the meeting shall submit the power of attorney to the chairman of the meeting before the meeting begins. The power of attorney shall set out the name of the principal, name of the proxy, matters delegated, voting instructions on matters proposed at the meeting (for or against), scope and validity period of authorization, and shall be signed or sealed by the principal. The proxy shall exercise the right within the scope of authorization. The principal who authorizes other members to attend the meeting on his behalf shall be solely liable to any decisions made by the proxy within his scope of authorization.

Article 24 Votes at the meetings of the Committee shall be conducted by a show of hands, by voice or by disclosed ballot, and every member shall have one vote. Resolutions made at the meetings shall not take effect unless they are passed by more than half of all members (including members unable to be present). Members of the Committee shall give express votes, either for or against, and may not abstain from voting (except for the circumstances set out in Article 7 above).

Article 25 Representatives of the Human Resources Department shall usually attend the meetings of the Committee to provide assistance. At the request of the Committee, it may also invite non-members of the Committee such as directors, relevant members of senior management and head of relevant departments of the Company to be in attendance at some or all of the meetings of the Committee. Prior approval from the chairman of the Committee shall be obtained for the list of such persons in attendance at the meeting.

Article 26 In the process of evaluating the directors and senior management and discussing their remunerations, any member who is involved, along with his/her associates shall abstain from attending the meetings. If a non-executive director or an independent non-executive director is a member of the Committee, his/her remuneration shall be determined by other members of the Remuneration and Appraisal Committee.

Article 27 Full records of the meetings of the Committee shall be kept. Minutes of the meetings of the Committee shall sufficiently record the matters considered and decisions reached by the Remuneration and Appraisal Committee in detail, including any concerns raised by the members or dissenting views expressed. Members attending the meetings shall sign on the final version of the minutes of the meetings of the Committee.

Article 28 Members of the Committee and persons in attendance at the meetings are obligated to keep all considered matters confidential and shall not disclose such information without approval.

CHAPTER 6 REPORTING PROCEDURES

Article 29 All minutes of the meetings prepared by the Committee in accordance with the Article 27 regarding these Terms of Reference shall be kept by the secretary of the Remuneration and Appraisal Committee and be available for inspection at any reasonable time on reasonable notice by any director.

Article 30 The Committee shall regularly report to the Board on matters set out in these Terms of Reference, including the work of the Committee and any material issues in relation to the remuneration system of the Company, and shall consider other topics as defined by the Board, unless those committees are restricted by legal or regulatory restriction and cannot report.

Article 31 The Committee and the Company shall disclose details of any remuneration payable to members of senior management by band in its annual reports according to the requirements of the Hong Kong Listing Rules.

CHAPTER 7 ANNUAL GENERAL MEETING

Article 32 The chairman of the Committee shall attend the annual general meeting of the Company and be prepared to answer any shareholder's questions in relation to the affairs of the Remuneration and Appraisal Committee.

Article 33 If the chairman of the Committee is unable to attend the annual general meeting of the Company, he shall arrange for another member of the Committee to attend in his place. Such member shall be prepared to answer any shareholder's questions in relation to the work of the Committee at the annual general meeting.

CHAPTER 8 EFFECTIVE DATE AND AMENDMENTS

Article 34 Upon approval by the Board, these Terms of Reference shall come into effect. These Terms of Reference applicable to companies listed on the ChiNext Market of the Shenzhen Stock Exchange shall take effect from the date of the Company's initial public offering and listing of its ordinary shares denominated in RMB (A shares). Where it is necessary to amend these Terms of Reference in light of changes in circumstances, the amendments shall be proposed by the Committee and submitted to the Board for consideration and approval.

Article 35 Matters not covered by these Terms of Reference shall be handled in accordance with the requirements of relevant state laws and regulations, the Hong Kong Listing Rules and the Articles of Association; in case there is any inconsistency between these Terms of Reference and any future relevant state laws and regulations, the Hong Kong Listing Rules or the Articles of Association amended by lawful procedures, the relevant state laws and regulations, the Hong Kong Listing Rules and the Articles of Association shall prevail and these Terms of Reference shall be amended accordingly, subject to the approval of the Board.

Article 36 These Terms of Reference shall be interpreted by the Board.