

# **Guangzhou Xiao Noodles Catering Management Co., Ltd.**

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

### **Chapter 1 General Provisions**

**Article 1** The Company has established the Remuneration and Appraisal Committee of the Board of Directors and formulated the Terms of Reference of the Remuneration and Appraisal Committee of the Board of Directors of Guangzhou Xiao Noodles Catering Management Co., Ltd. (hereinafter referred to as the “**Terms of Reference**”) in accordance with the Company Law of the People’s Republic of China and other relevant laws, administrative regulations, normative documents (collectively referred to as the “**National Laws and Regulations**”), 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 the Articles of Association of Guangzhou Xiao Noodles Catering Management Co., Ltd. (hereinafter referred to as the “**Articles of Association**”) to further establish and improve the appraisal and remuneration management systems for directors and senior management of the Company, and enhance its corporate governance structure.

**Article 2** The Remuneration and Appraisal Committee is a specialized working body set up by the Board pursuant to the resolutions of the shareholders’ meeting. The Remuneration and Appraisal Committee shall be primarily responsible for developing appraisal standards for directors and senior management of the Company and conducting relevant appraisals. It shall also be responsible for formulating and reviewing the remuneration policies and programs for the directors and senior management of the Company, and shall be accountable to the Board.

**Article 3** The secretary to the Board shall provide comprehensive services to the Remuneration and Appraisal Committee, and shall be responsible for coordinating the daily liaison and meeting organization of the Remuneration and Appraisal Committee. The Company’s human resources department shall provide professional support to the Remuneration and Appraisal Committee, which shall be responsible for providing business-related information of the Company and relevant information of the personnel to be appraised, and reporting on the implementation of the appraisal system to the Remuneration and Appraisal Committee.

### **Chapter 2 Composition**

**Article 4** The Remuneration and Appraisal Committee shall consist of three directors, two of whom shall be independent non-executive directors.

**Article 5** Members of the Remuneration and Appraisal Committee shall be elected by the Board.

**Article 6** The Remuneration and Appraisal Committee shall have one chairperson, who shall be an independent non-executive director and be responsible for presiding over the work of the committee. The chairperson shall be elected among the committee members, and his/her appointment shall be approved by the Board.

The term of office of the members of the Remuneration and Appraisal Committee shall be equivalent to that of the Board. Each member shall be eligible for re-election upon the expiry of his/her term of office. A member shall automatically cease to be a member of the Remuneration and Appraisal Committee if, during his/her term of office, he/she ceases to serve as a director of the Company, or a member who should have the status as an independent non-executive director ceases to have his/her independence as required by the Hong Kong Listing Rules, and the committee shall fill the vacancy in accordance with the provisions set out in Articles 4 to 6 above.

### **Chapter 3 Duties and Authorities**

**Article 7** 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 the Company's senior management, and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (II) to review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time;
- (III) to make recommendations to the Board on the remuneration packages of the Company's 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) to make recommendations to the Board regarding the remuneration of non-executive directors;
- (V) to consider salaries paid by comparable companies, time commitment and responsibilities of directors and senior management and employment conditions elsewhere in the Company and its subsidiaries;
- (VI) to review and approve compensation payments and arrangements to directors and senior management of the Company for any loss or termination of their office or appointment, or dismissal or removal for misconduct, to ensure that proposed compensation payments or arrangements are consistent with relevant contractual terms, and are otherwise fair, reasonable, appropriate and not excessive;
- (VII) to ensure that no director or any of his/her associates (as defined in the Hong Kong Listing Rules) is involved in deciding his/her own remuneration;
- (VIII) to review and/or approve matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules;
- (IX) to formulate the remuneration plan or package, which mainly includes but is not limited to performance evaluation standards, procedures and core evaluation systems, as well as primary reward and penalty schemes and policies;
- (X) to examine the performance of the directors and senior management, and conduct annual performance appraisals for them;

(XI) to supervise the implementation of the remuneration policy of the Company;

(XII) other duties required by the National Laws and Regulations, the Hong Kong Listing Rules, these Terms of Reference, and the Board.

**Article 8** The remuneration plan for the Company's directors proposed by the Remuneration and Appraisal Committee shall be approved by the Board, and then be submitted to the shareholders for consideration and approval before implementation; alternatively, the shareholders' meeting may authorize the Board to determine directors' remuneration. The remuneration distribution plan for the Company's senior management shall be submitted to the Board for approval.

#### **Chapter 4 Decision-Making Process**

**Article 9** The secretary to the Board, the human resources department and other relevant departments of the Company shall provide all or part of the following written materials based on the requirements of the Remuneration and Appraisal Committee:

- (I) major financial indicators of the Company and the status of fulfillment of its operating targets;
- (II) scope of duties and major responsibilities of the senior management of the Company;
- (III) fulfillment of performance evaluation indicators by the directors and senior management;
- (IV) estimation basis for the formulation of performance-based remuneration packages of the Company.

**Article 10** The procedures for appraising directors and senior management adopted by the Remuneration and Appraisal Committee are as follows:

- (I) the directors and senior management shall report their work and make self-appraisals to the Remuneration and Appraisal Committee;
- (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 amount of remuneration and method of reward for the directors and senior management shall be proposed according to the job performance appraisal results and remuneration distribution policy, and be reported to the Board after being approved by voting.

#### **Chapter 5 Rules of Procedure**

**Article 11** Meetings of the Remuneration and Appraisal Committee shall be held at least once every year, and the notice of the relevant meeting shall be given to all members three days prior to the meeting. The meeting shall be presided over by the chairperson of the committee. If the chairperson of the committee is unable to attend the meeting, he/she may appoint another member who is an independent non-executive director to preside over the meeting.

If any of the following circumstances occur, a member of the Remuneration and Appraisal Committee may propose to convene an extraordinary meeting, and the chairperson shall convene and preside over such extraordinary meeting within three days upon receipt of the proposal:

- (I) when the Board deems it necessary;
- (II) when the chairperson of the committee deems it necessary;
- (III) when it is proposed by two or more committee members.

When the chairperson is unable to perform or has failed to perform his/her duties, the meeting shall be convened and presided over by another member who is an independent non-executive director.

**Article 12** The meetings of the Remuneration and Appraisal Committee shall only be held when two-thirds or more of its members are present. Each member shall have one vote.

**Article 13** Committee members shall express their views clearly and independently based on their own judgment, and shall endeavor to reach a consensus. If it is genuinely difficult to reach a consensus, the different opinions shall be recorded and explained in the minutes of the meeting.

Resolutions made at the meeting must be approved by more than half of all members.

**Article 14** Decisions in the meetings of the Remuneration and Appraisal Committee may be made by a show of hands or by poll. Extraordinary meetings may be conducted by means of correspondence.

**Article 15** When necessary, the Remuneration and Appraisal Committee may invite directors, supervisors and senior management of the Company, the human resources department, heads of relevant departments, and external advisors to sit in on its meetings. Persons who sit in on the meetings may explain or clarify the matters discussed at the meetings, but any person who is not a member of the committee shall have no voting rights.

**Article 16** If necessary, the Remuneration and Appraisal Committee may engage intermediary institutions to provide professional advice for its decision-making at the Company's expense.

**Article 17** Where matters concerning committee members are discussed during the Remuneration and Appraisal Committee meetings, such members shall abstain from the discussion.

**Article 18** The procedures for convening meetings of the Remuneration and Appraisal Committee, voting methods, and the remuneration policies and distribution plans adopted at the meetings must comply with the provisions set out in the relevant laws, regulations, the Articles of Association and these Terms of Reference.

**Article 19** The Remuneration and Appraisal Committee shall maintain minutes of its meetings. Members present at a meeting and the minute-taker shall sign off on the minutes. The minutes of meetings shall be kept by the secretary to the Board. The retention period shall be ten years.

**Article 20** Resolutions adopted at the meetings of the Remuneration and Appraisal Committee and the voting results shall be reported to the Board in writing.

**Article 21** All members present at the meetings and persons sitting in on the meetings shall be obliged to keep the matters discussed at the meeting confidential and shall not disclose any related information without authorization.

## **Chapter 6 Supplementary Provisions**

**Article 22** In these Terms of Reference, the term “or more” shall be inclusive of the number itself, while the term “more than” shall be exclusive of the number itself.

**Article 23** Matters not covered in these Terms of Reference shall be dealt with in accordance with relevant national laws, regulations, normative documents, relevant regulatory rules of the place where the Company’s shares are listed, and the Articles of Association. In case of any conflict between these Terms of Reference and any national laws, regulations, normative documents, relevant regulatory rules of the place where the Company’s shares are listed as promulgated in the future, or the Articles of Association as amended through legal procedures, the provisions set out in the relevant national laws, regulations, normative documents, relevant regulatory rules of the place where the Company’s shares are listed and the Articles of Association shall prevail, and these Terms of Reference shall be promptly amended and reported to the Board for consideration and approval.

**Article 24** The authority of interpretation of these Terms of Reference shall be vested with the Board.

**Article 25** As considered and approved by the Board, these Terms of Reference shall take effect and come into force on the date when the Company’s publicly issued H shares are listed and traded on the Main Board of the Hong Kong Stock Exchange.