

# **SHANGHAI ABLE DIGITAL SCIENCE&TECH CO., LTD.**

## **RULES OF PROCEDURES OF THE REMUNERATION AND APPRAISAL COMMITTEE OF THE BOARD OF DIRECTORS**

### **CHAPTER I GENERAL PROVISIONS**

**Article 1** In order to further establish and improve the appraisal and remuneration system for directors and senior management of the Company and enhance its corporate governance structure, the Company has established the remuneration and appraisal committee of the board of directors and formulated these rules of procedures in accordance with the Company Law of the People's Republic of China, 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 Shanghai Able Digital Science&Tech Co., Ltd. (the "Articles of Association") and other relevant requirements.

**Article 2** The remuneration and appraisal committee (i.e., the remuneration committee under the Hong Kong Listing Rules) is a special working body set up by the board of directors, which is mainly responsible for formulating and reviewing the remuneration policies and proposals for the directors and senior management of the Company, formulating the assessment standards for directors and senior management of the Company and conducting assessment thereon, and is accountable to the board of directors.

**Article 3** Directors referred herein refer to the chairperson and directors who receive remuneration from the Company; and senior management refers to the general manager, the deputy general manager, the chief financial officer, the secretary of the board of directors and other senior management as required by the Articles of Association.

**Article 4** The provisions of the Company Law, the Hong Kong Listing Rules and the Articles of Association concerning directors' duties shall be applicable to the members of the remuneration and appraisal committee.

### **CHAPTER II COMPOSITION**

**Article 5** The remuneration and appraisal committee shall comprise at least three directors, the majority of whom shall be independent non-executive directors.

**Article 6** The members of the remuneration and appraisal committee shall be nominated by the chairperson of the board of directors, more than half of the independent non-executive directors, or more than one-third of all the directors, and elected by the board of directors.

**Article 7** The remuneration and appraisal committee shall have one chairperson who shall act as the convener and shall be an independent non-executive director, responsible for leading the work of the committee. The chairperson shall be elected by the members of the committee and appointed upon approval by the board of directors.

**Article 8** The term of office of the remuneration and appraisal committee shall align with the term of the board of directors. Members of the committee may be re-elected upon expiry of their term. Where a member ceases to be a director of the Company, he/she shall automatically cease to be qualified as a member of the committee, and the casual vacancy shall be filled by the person elected by the committee in accordance with Articles 5 to 7 above.

**Article 9** The remuneration and appraisal committee may establish a working group exclusively responsible for providing relevant business information of the Company and materials relating to the appraisees, arranging meetings of the committee and implementing relevant resolutions adopted by the committee.

### **CHAPTER III DUTIES AND POWERS**

**Article 10** The remuneration and appraisal committee shall have the following primary duties and authorities:

- (1) to formulate remuneration policies and structures as well as remuneration plans or packages based on the major scope, responsibilities and importance of the management positions of directors (including independent non-executive directors) and senior management personnel; to make recommendations to the board of directors on the establishment of a formal and transparent procedure for developing remuneration policies; remuneration plans or packages shall mainly include but not limited to, performance appraisal standard, procedure as well as the major award and penalty plan and policy;
- (2) to review, formulate and/or approve the share incentive scheme for the directors (including independent non-executive directors), supervisors, senior management and other relevant parties of the Company in accordance with relevant laws, administrative regulations, departmental rules, regulatory documents and the listing rules of the stock exchange of the place where the shares of the Company are listed (including matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules);
- (3) to be responsible for the administration of share schemes, including but not limited to reviewing the eligibility of participants, conditions of grant and conditions of exercise of the share incentive schemes;

- (4) to review the performance of directors (including independent non-executive directors) and senior management of the Company and perform annual performance appraisal;
- (5) to supervise the implementation of the remuneration system;
- (6) to review and approve management's remuneration proposals with reference to the goals and objectives of the board of directors;
- (7) to make recommendations to the board of directors on the Company's overall performance evaluations, policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (8) to make recommendations to the board of directors on the individual remuneration packages of executive directors and senior management, which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (9) to make recommendations to the board of directors on the remuneration of non-executive directors;
- (10) to consider remuneration paid by comparable companies, time commitment and responsibilities and employment conditions for other positions in the Group;
- (11) to review and approve the compensation payable to executive directors and senior management for the matters relating to the loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair, reasonable and not excessive;
- (12) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate;
- (13) to ensure that no director or any of their associates (as defined in Hong Kong Listing Rules) is involved in deciding their own remuneration;
- (14) to review the performance of duties by directors (including independent non-executive directors) and senior management of the Company and perform annual performance appraisals on them;

- (15) to supervise the implementation of the Company's remuneration and appraisal policies;
- (16) to assume other duties as required by the provisions of laws, administrative regulations, departmental rules, regulatory documents, the listing rules of the stock exchange of the place where the shares of the Company are listed (including the relevant authority and duties as stipulated in the relevant code provisions of the Corporate Governance Code as set out Appendix C1 to the Hong Kong Listing Rules (as amended from time to time)) and the Articles of Association, and other duties and powers delegated by the board of directors. The committee shall also report to the board of directors on matters within the scope of its duties and authority (including decisions or recommendations made by the committee).

**Article 11** The board of directors shall have the right to veto any remuneration plan (package) and share incentive scheme that goes against shareholders' interests.

**Article 12** The remuneration plans and share incentive schemes for directors proposed by the remuneration and appraisal committee shall be submitted to the general meeting for consideration and approval after being approved by the board of directors. The remuneration plan for senior management of the Company shall be submitted to the board of directors for approval.

#### **CHAPTER IV DECISION-MAKING PROCEDURES**

**Article 13** The working team under the remuneration and appraisal committee shall be responsible for the preliminary preparatory work for the decision-making procedures of the remuneration and appraisal committee and providing the information of the Company:

- (1) providing information regarding the progress in achieving major financial indicators and business objectives of the Company;
- (2) the division of labor of the Company's senior management and the execution of their respective main duties;
- (3) providing information on the progress in achieving the targets considered in the appraisal system of performance of directors and senior management;
- (4) providing operational performance metrics demonstrating the business innovation and profit-making capabilities of directors and senior management;
- (5) the relevant calculation basis of the remuneration distribution plans and distribution methods formulated according to the results of the Company.

**Article 14** The procedures for appraising the directors and senior management adopted by the remuneration and appraisal committee are as follows:

- (1) the directors and senior management shall report their work and make self-assessments to the remuneration and appraisal committee of the board of directors;
- (2) the remuneration and appraisal committee shall carry out performance assessment of the directors and senior management according to the performance assessment standards and procedures;
- (3) the amount of remuneration and method of reward for directors and senior management shall be proposed according to the job performance appraisal results and remuneration distribution policy, and reported to the board of directors after being passed by voting;
- (4) the proposal on the amount of remuneration and method of reward for the directors shall be submitted by the board of directors to a general meeting for approval. When the board of directors or its remuneration and appraisal committee assesses the performance of a director or discusses its remunerations, such director shall be absent from such assessment and discussion.

## **CHAPTER V MEETING PROCEDURES**

**Article 15** The remuneration and appraisal committee shall hold at least one regular meeting each year and notify all members five days before the meeting. The meeting shall be presided over by the chairperson. If the chairperson is unable to attend the meeting, he/she may appoint another member to preside over the meeting.

If the chairperson of the remuneration and appraisal committee neither performs his/her duties nor designates another member to perform his/her duties on his/her behalf, any member may report the relevant situation to the board of directors, and the board of directors shall designate a member to perform the duties of the chairperson of the remuneration and appraisal committee.

An extraordinary meeting shall be proposed by the members of the remuneration and appraisal committee, and notice of an extraordinary meeting shall be given to all members three days before it is convened. Notice may be given at any time in case of emergency.

**Article 16** The quorum for meetings of the remuneration and appraisal committee shall be at least two thirds of the total members of the committee. Members of the remuneration and appraisal committee may attend the meeting in person or appoint other members in writing to attend the meeting and exercise their voting rights on their behalf.

If a member of the remuneration and appraisal committee authorizes another member to attend the meeting and exercise voting rights on his/her behalf, he/she shall submit a power of attorney to the chairperson of the meeting, which shall specify the scope of authorization. The power of attorney shall be delivered to the chairperson of the meeting no later than the time of voting at the meeting.

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 such meeting.

If any member of the remuneration and appraisal committee fails to attend two consecutive meetings, he/she shall be deemed to fail to duly perform his/her duties and powers, and the board of directors may revoke his/her membership.

**Article 17** Voting of the remuneration and appraisal committee shall be conducted either by a show of hands or by poll. An extraordinary meeting may be convened by means of voting by correspondence.

Each member shall have one vote. Resolutions made at the meeting shall be passed by more than half of all committee members.

Meetings of the remuneration and appraisal committee may be convened in the form of written resolutions. A written resolution shall be dispatched by facsimile, courier or by hand or otherwise to all members. After the members have voted on the resolution, the original resolution shall be mailed back to the Company for filing. A proposal signed by consenting members satisfying the number of votes required hereunder shall become an effective resolution of the committee.

**Article 18** When necessary, the directors, supervisors, and senior management of the Company may be invited to present the meetings of the remuneration and appraisal committee.

**Article 19** The remuneration and appraisal committee shall consult the chairperson of the board of directors and/or the chief executive officer about their remuneration proposals for other executive directors. If necessary, the remuneration and appraisal committee may engage an intermediary to provide professional opinions for its decision-making, at the Company's expense.

**Article 20** Where a member becomes the subject of a discussion at the meeting of the remuneration and appraisal committee, such member shall be absent from such discussion.

Where the number of members attending the meeting is less than the quorum specified in these rules of procedures after the interested members abstain from voting, all members (including the interested members) shall resolve on procedural issues including submitting the proposal to the board of directors for consideration. Such proposal shall be considered by the board of directors.

**Article 21** The procedures for convening meetings of the remuneration and appraisal committee, the voting methods employed, and the remuneration policies and distribution plans adopted at such meetings shall comply with the relevant laws, regulations, the listing rules of the stock exchange where the Company's shares are listed, the Articles of Association and these rules of procedures.

**Article 22** The remuneration and appraisal committee shall keep written minutes of its meetings, which shall record the matters considered and resolutions passed at the meetings in sufficient detail, including any doubts or objections raised by members. The draft and final version of the minutes shall be sent to all committee members within a reasonable time after the meeting, with the draft for members to express their opinions and the final version for record purposes. Each member shall review and confirm the minutes, and the members attending the meeting and the minute taker shall sign the minutes. Members present at a meeting shall have the right to request that a descriptive entry be made in the minutes of their statements at the meeting. If a committee member has any comments or objections regarding the minutes, they may choose not to sign but shall submit their written opinions to the secretary of the board of directors within the stipulated timeframe. If the errors or omissions in the records are confirmed to be true, the secretary of the board of directors shall make corrections, and the committee members shall sign the revised minutes.

The minutes of the remuneration and appraisal committee are maintained as company archives of the Company by the secretary of the board of directors for ten years during the existence of the Company.

**Article 23** Resolutions passed and voting results at a meeting of the remuneration and appraisal committee shall be reported in writing to the board of directors of the Company.

**Article 24** Members present at a meeting shall keep confidential of all matters discussed at the meeting and shall not disclose such information without authorization.

## **CHAPTER VI ABSTENTION FROM VOTING**

**Article 25** When a member of the remuneration and appraisal committee has an interest of conflict, directly or indirectly, in respect of any matter discussed at the meeting, such member shall abstain from voting on the relevant proposals.

Where the number of members attending the meeting is less than the quorum specified in these rules of procedures after the interested members abstain from voting, all members (including the interested members) shall resolve on procedural issues including submitting the proposal to the board of directors for consideration. Such proposal shall be considered by the board of directors.

## **CHAPTER VII SUPPLEMENTARY PROVISIONS**

**Article 26** These rules of procedures and any amendments hereto have been considered and approved by the board of directors and shall take effect from the date of the initial public offering of H Shares of the Company and its listing on The Stock Exchange of Hong Kong Limited.

**Article 27** Matters not covered in these rules of procedures shall be implemented in accordance with the provisions of the relevant laws and regulations of the State, the listing rules of the stock exchange of the place where the shares of the Company are listed and the Articles of Association. If these rules of procedures contravene any laws and regulations promulgated by the State from time to time, the listing rules of the stock exchange of the place where the shares of the Company are listed or the Articles of Association as amended through lawful procedures, the relevant laws and regulations of the State, the listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association shall prevail. These rules of procedures shall be immediately revised accordingly and submitted to the board of directors for consideration and approval.

**Article 28** These rules of procedures shall be interpreted by the board of directors of the Company.

Shanghai Able Digital Science&Tech Co., Ltd.