

# Shandong Extreme Vision Technology Co., Ltd.\*

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

### Chapter 1 General Provisions

**Article 1** In order to improve the corporate governance structure of Shandong Extreme Vision Technology Co., Ltd.\* (the “**Company**”), the board of directors of the Company (the “**Board**”) established the remuneration and appraisal committee (the “**Remuneration and Appraisal Committee**”), a special committee under the Board, and formulated these terms of reference 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 “**Listing Rules of the Hong Kong Stock Exchange**”), the articles of association of Shandong Extreme Vision Technology Co., Ltd.\* (the “**Articles of Association**”) and other relevant regulations.

**Article 2** The Remuneration and Appraisal Committee is a special body set up by the Board in accordance with the Articles of Association and is mainly responsible for formulating the appraisal standards and conducting appraisal for the Company’s directors and senior management, and setting up and reviewing the remuneration policy and plan for the Company’s directors, managers and other senior management. The Remuneration and Appraisal Committee shall be accountable to the Board.

**Article 3** The directors mentioned herein refer to the directors who receive remuneration from the Company, and the senior management refer to the general manager, deputy general manager, secretary to the Board and chief financial officer engaged by the Board, and other senior management proposed by the general manager to the Board for approval. For the purpose of these terms of reference, “remuneration” includes but not limited to all the salaries, bonuses, allowances, benefits (in cash or in kind), pension, compensation (including the compensation payable due to loss or termination of office or appointment), grant of options and shares.

### Chapter 2 Composition

**Article 4** The Remuneration and Appraisal Committee shall consist of three directors, with an independent non-executive director serving as the convener. The majority of the committee members shall be independent non-executive directors.

\* For identification purpose only

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

**Article 6** The Remuneration and Appraisal Committee shall have one chairperson (the convener), who shall be an independent non-executive director and is responsible for convening committee meetings and presiding over the work of the committee. The chairperson shall be elected from the committee, subject to the approval of the Board.

**Article 7** The term of office of the members of the Remuneration and Appraisal Committee shall be identical to their term of office on the Board. Upon expiry of a term, a member may serve consecutive terms if re-elected. If any member resigns from the position of director of the Company, or any member who shall be an independent non-executive director ceases to have the independence as set out in the relevant laws, regulations, the Articles of Association and the Listing Rules of the Hong Kong Stock Exchange during his/her term of office, he/she shall automatically lose his/her position as committee member. Committee members may submit his/her resignation report in writing to the Board prior to the expiry of the term of office to resign from his/her existing position. The resignation report shall contain such reasons for resignation and matters which require the attention of the Board as necessary. The vacancy shall be filled by the Board according to Article 4 to Article 6 of these terms of reference. The term of office for the member filling the vacancy shall expire upon the expiration of his/her term of office as a director. A member of the Remuneration and Appraisal Committee shall not, before the expiry of his/her term of office, be relieved of his/her duties without causes except for the situations that prevent such member from holding office as specified in the relevant laws, regulations, the Articles of Association, the Listing Rules of the Hong Kong Stock Exchange and other rules.

**Article 8** The Remuneration and Appraisal Committee has a remuneration and appraisal working group, whose specific work shall be undertaken by the human resource department with the assistance of the office of the Board. The working group is specifically responsible for providing information on the business operation of the Company and the relevant information of the persons to be appraised, as well as the preparation of meetings of the Remuneration and Appraisal Committee and the implementation of relevant resolutions of the committee.

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

**Article 9** The Remuneration and Appraisal Committee shall disclose its terms of reference on the websites of the Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and the Company, explaining its role and the power delegated by the Board. The Remuneration and Appraisal Committee should be provided with sufficient resources by the Company to discharge its duties. The duties of the Remuneration and Appraisal Committee include:

- (I) to research the appraisal criteria for directors and senior management and to make recommendations to the Board on the Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (II) to make recommendations to the Board on the determination of the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments (including compensation payable for loss or termination of office or appointment), and to make recommendations to the Board on the remuneration of non-executive directors;
- (III) to review and approve the remuneration proposals of the management with reference to the corporate goals and objectives set by the Board;
- (IV) to research, review and develop the remuneration policy, plans or proposals based on the main function scope, duties and importance of the management positions taken by directors and senior management and the remuneration level of the corresponding positions in other comparable companies and with reference to the salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group. The above-mentioned remuneration policy, plans or proposals mainly include, but not limited to, standards and procedures for performance assessment and the principal assessment system, as well as the principal plan and system of rewards and punishments;
- (V) to review and approve compensation payable to the executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms; or if not, is otherwise fair, reasonable and not excessive;
- (VI) to review and approve the compensation arrangements in relation to the dismissal or removal of directors as a result of misconduct so as to ensure that such compensation is consistent with contractual terms; or if not, is otherwise reasonable and appropriate;
- (VII) to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration;
- (VIII) to review the performance of duties by the directors (excluding independent non-executive directors) and senior management of the Company, and conduct annual assessments on their performance;
- (IX) to oversee the implementation of the remuneration policy of the Company;

- (X) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules of the Hong Kong Stock Exchange (as amended or supplemented from time to time);
- (XI) to consult the chairman of the Board and/or the general manager on the remuneration proposals for other executive directors and have access to independent professional advice if necessary;
- (XII) other matters required by the laws and regulations, the Articles of Association and the securities regulatory authority of the place where the Company's shares are listed as well as those authorized by the Board.

**Article 10** The remuneration policy and plan of the directors of the Company proposed by the Remuneration and Appraisal Committee shall be implemented after being put to the Board for approval and submitted to the shareholders' meeting for consideration. The remuneration plan for the senior management of the Company shall be submitted to the Board for approval.

#### **Chapter 4 Rules of Procedures**

**Article 11** The Remuneration and Appraisal Committee shall meet at least once a year. An extraordinary meeting may be convened upon the proposal of the convener or more than half of the committee members.

**Article 12** The Remuneration and Appraisal Committee meeting(s) shall be convened and presided over by the convener; if the convener is unable to attend, he/she may appoint another member (which shall be an independent non-executive director) to preside over the meeting; if the convener fails to perform his/her duties, the member jointly elected by more than half of the committee members shall convene and preside over such meeting.

**Article 13** To hold a Remuneration and Appraisal Committee meeting, the notice of the meeting shall be sent to all committee members three days before the meeting is held.

**Article 14** A Remuneration and Appraisal Committee meeting shall not be held unless there is a quorum of more than two-thirds of the members. Each member has one vote, and the resolutions made at the meeting shall be approved by a majority of all members.

**Article 15** Votes at the Remuneration and Appraisal Committee meetings shall be made by a show of hands or by poll. Remuneration and Appraisal Committee meetings may be convened by voting by communications.

**Article 16** When necessary, directors, supervisors, senior management and other staffs of the Company who are not affiliated with the Remuneration and Appraisal Committee may be invited to attend the meetings of the Remuneration and Appraisal Committee.

**Article 17** If necessary, the Remuneration and Appraisal Committee may engage an intermediary institution for a professional opinion in making decisions. The cost shall be borne by the Company.

**Article 18** Where an agenda item relating to a member is to be discussed at the Remuneration and Appraisal Committee meeting, such related member shall abstain from the meeting in respect thereof. The said Remuneration and Appraisal Committee meeting may be held by more than one-half of the unrelated members attending the meeting and resolutions proposed shall be passed by more than one-half of the unrelated members. Where the number of unrelated members attending the meeting falls below one-half of the total number of unrelated members of the Remuneration and Appraisal Committee, such matter shall be submitted to the Board for consideration.

**Article 19** The procedures for convening a meeting, method of voting and passing of resolutions at a Remuneration and Appraisal Committee meeting shall conform with the relevant laws, regulations, the Articles of Association and these terms of reference.

**Article 20** The Remuneration and Appraisal Committee shall keep meeting minutes. Members present at a meeting shall sign the minutes which shall be kept by the secretary of the Board.

**Article 21** Any proposals passed and poll results taken at a Remuneration and Appraisal Committee meeting shall be reported to the Board in writing.

**Article 22** The Company shall, in accordance with the relevant requirements of the Listing Rules of the Hong Kong Stock Exchange, disclose its remuneration policy for directors in annual report, and disclose the details of remuneration of senior management by band and other remuneration-related matters.

**Article 23** Members and relevant persons present at a Remuneration and Appraisal Committee meeting shall be obliged to keep confidential all matters discussed, and shall not disclose any relevant information to any person without authorization unless it is considered and approved by the shareholders' meeting or the Board and disclosed to the public, except for statutory reasons or by mandatory order of a competent authority.

## Chapter 5 Supplemental Provisions

**Article 24** These terms of reference shall become effective from the date on which the H shares of the Company are listed on the Hong Kong Stock Exchange subject to consideration and approval by the Board.

**Article 25** In these terms of reference, the meaning of “more than” includes the underlying number.

**Article 26** Any matters not covered by these terms of reference shall be handled in accordance with the relevant laws, regulations, normative documents and relevant provisions of the securities regulatory rules of the place where the Company’s shares are listed and based on the actual situation of the Company. Where these terms of reference are inconsistent with the relevant laws, regulations, normative documents and relevant provisions of the securities regulatory rules of the place where the Company’s shares are listed, the relevant laws, regulations, normative documents and relevant provisions of the securities regulatory rules of the place where the Company’s shares are listed shall prevail.

**Article 27** The right to interpret and amend these terms of reference shall reside with the Board.

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