



上海拓璞数控科技股份有限公司

Shanghai Top Numerical Control Technology Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 7688)

TERMS OF REFERENCE OF THE REMUNERATION AND APPRAISAL COMMITTEE

CHAPTER I GENERAL PROVISIONS

Article 1 To standardize the remuneration and appraisal system for directors and senior management of Shanghai Top Numerical Control Technology Co., Ltd. (the “**Company**”), and improve the corporate governance structure, the board of directors of the Company (the “**Board**”) has established the Remuneration and Appraisal Committee (the “**Committee**”) pursuant to the Company Law of the People’s Republic of China and other relevant laws, administrative regulations, and normative documents (collectively, the “**PRC Laws and Regulations**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), and the Articles of Association of the Company (the “**Articles of Association**”). These rules of procedure for the Committee (the “**Rules**”) are hereby formulated.

Article 2 The Committee is a specialized working body under the Board, primarily responsible for establishing the evaluation criteria for directors and senior management, conducting evaluations, formulating and reviewing remuneration policies and packages for directors and senior management, including the remuneration determination mechanism, decision-making processes, and payment and clawback arrangements, and making recommendations to the Board on the following matters:

- (I) remuneration of directors and senior management;
- (II) formulating or changing any equity incentive plan or employee stock ownership plan, and the vesting of interests to incentive participants and the fulfillment of conditions for exercising such interests;
- (III) any arrangement for directors and senior management to hold shares in a subsidiary to be spun off;
- (IV) other matters required by laws, administrative regulations, regulatory rules of the place where the Company’s shares are listed, the Hong Kong Listing Rules and the Articles of Association.

Should the Board not adopt or fully adopt the recommendations from the Remuneration and Appraisal Committee, the opinions of the Remuneration and Appraisal Committee and the specific reasons for non-adoption shall be recorded in the resolutions of the Board and disclosed.

Article 3 For the purposes of the Rules, “directors” refer to all directors of the Company, and “senior management” refers to the general manager, deputy general manager, secretary of the Board, head of finance, and other senior management personnel as specified in the Articles of Association, appointed by the Board.

Article 4 The Committee shall be accountable to the Board and shall report its work to the Board.

Article 5 The Rules shall apply to the Committee and to the relevant personnel and departments referred to herein.

CHAPTER II COMPOSITION OF THE COMMITTEE

Article 6 The Committee shall comprise no fewer than three directors, a majority of whom shall be independent non-executive directors. Committee members shall be nominated by the chairperson of the Board, at least half of the independent directors, or at least one-third of all directors, and shall be elected by the Board with the approval by a majority of all directors.

Article 7 The Committee shall have one chairperson, who shall be an independent non-executive director. The chairperson shall be nominated by the chairperson of the Company and approved by the Board.

Article 8 The term of office of the Committee shall be the same as that of the Board. The term of office of a Committee member shall be the same as that of a director. Upon expiry of their term, Committee members may be re-elected. A member shall automatically cease to hold office if he/she ceases to be a director of the Company, or if an independent non-executive director member no longer satisfies the independence requirements under the Hong Kong Listing Rules. In such case, the Board shall appoint replacement members in accordance with the Rules.

Article 9 Committee members may resign before the expiry of their term by submitting a written resignation to the Board, which shall include the reasons for resignation and necessary explanations for any matters that require the Board’s attention. If the number of members falls below the minimum required under the Rules, the resigning member shall continue to perform relevant responsibilities until a replacement nominated by the Board assumes office.

Article 10 Upon proposal by the chairperson of the Board and approval by the Board, adjustments to Committee membership may be made during a member's term of office.

Article 11 Committee members are required to disclose the following matters to the Committee:

- (I) Any personal financial interests in any matters to be decided by the Committee (excluding interests held as a shareholder of the Company);
- (II) Any potential conflicts of interest arising from serving as a director of other companies.

Where such interests exist, the relevant Committee member shall abstain from voting on the matters under consideration by the Committee, shall not participate in discussions on the matters, and shall resign from his/her Committee position if requested by the Board.

Article 12 If the composition of the Committee fails to meet the requirements of the Rules, the Board shall immediately disclose details and reasons by announcement in accordance with the Hong Kong Listing Rules, and shall make up the shortfall within three months from the date of non-compliance. The term of office of a supplementary member shall expire at the end of the term of the director he/she serves as.

Article 13 With coordination by the Board office, the Company's human resource department shall act as the working body of the Committee, providing support and services and undertaking relevant tasks assigned by the Committee.

CHAPTER III RESPONSIBILITIES OF THE COMMITTEE AND ITS MEMBERS

Article 14 The Committee shall primarily undertake the following responsibilities:

- (I) Make recommendations to the Board on the overall remuneration policy and structure for directors and senior management, and on the establishment of formal and transparent procedures for setting such remuneration policies;
- (II) Review and approve management's remuneration proposals by reference to the Company's objectives and goals as determined by the Board;

- (III) Make recommendations to the Board on the remuneration of individual executive directors and senior management, or, if delegated by the Board, determine the remuneration of individual executive directors and senior management. Such remuneration shall include non-monetary benefits, pension rights, and compensation, including any compensation payable in the event of loss or termination of office or appointment;
- (IV) Consult the chairperson and/or the general manager (chief executive officer) on the remuneration proposals for other executive directors. The Remuneration and Appraisal Committee may, if necessary, seek independent professional advice;
- (V) Make recommendations to the Board on the remuneration of non-executive directors;
- (VI) Take into account remuneration paid by similar companies, the time required and responsibilities involved, and the employment conditions of the Company and its subsidiaries;
- (VII) Review and approve compensation payable to executive directors and senior management in connection with loss or termination of office or appointment, to ensure such compensation is consistent with contractual terms; if inconsistent with contractual terms, the compensation must be fair and reasonable;
- (VIII) Review and approve compensation arrangements in connection with dismissal or removal of a director due to misconduct, to ensure such arrangements are consistent with contractual terms; if inconsistent with contractual terms, the compensation must be fair and reasonable;
- (IX) Ensure that no director or any of their connected persons (as defined under the Hong Kong Listing Rules) participates in determining their own remuneration;
- (X) Review and/or approve matters relating to share schemes as referred to in Chapter 17 of the Hong Kong Listing Rules;
- (XI) Other responsibilities as required under PRC Laws and Regulations, the Hong Kong Listing Rules, the Rules, or by the Board.

Article 15 The chairperson of the Committee shall primarily perform the following responsibilities:

- (I) Convene and preside over regular and extraordinary Committee meetings;
- (II) Supervise and inspect the Committee's work and implementation of its resolutions;
- (III) Sign Committee-related documents;
- (IV) Report the Committee's work to the Board;
- (V) Attend the Company's annual general meeting and respond to shareholders' questions relating to the Committee's responsibilities. If the chairperson of the Committee is unable to attend, another member or an appropriately appointed representative shall attend;
- (VI) Other responsibilities as required under PRC Laws and Regulations, the Hong Kong Listing Rules, the Rules, or by the Board.

Article 16 Committee members shall primarily perform the following responsibilities:

- (I) Attend Committee meetings on time, express views on matters under discussion, and exercise voting rights;
- (II) Submit topics for discussion at Committee meetings;
- (III) To perform their responsibilities, attend or sit in on relevant Company meetings, conduct investigations, and obtain necessary reports, documents, materials and other relevant information;
- (IV) Fully understand the Committee's responsibilities and their own responsibilities as members, be familiar with the Company's operations, activities, and development related to their responsibilities, and ensure the ability to fulfill their responsibilities;

- (V) Devote sufficient time and effort to performing their responsibilities;
- (VI) Other responsibilities as delegated under PRC Laws and Regulations, the Hong Kong Listing Rules, the Rules, or by the Board.

Article 17 The working body of the Committee shall be responsible for preparatory work prior to the Committee's decision-making, and for providing relevant information of the Company, including:

- (I) Information on the Company's key financial indicators and the achievement of its operational targets;
- (II) Information on the scope of responsibilities and principal duties of senior management;
- (III) Information on the completion status of performance evaluation indicators of directors and senior management;
- (IV) Basis of calculations related to the proposed remuneration distribution plan formulated according to the Company's performance.

Article 18 The Board shall have the right to veto any remuneration plans or proposals detrimental to shareholders' interests. Remuneration plans for directors proposed by the Committee must, upon approval of the Board, be submitted to the general meeting for consideration and approval before implementation, or be determined by the Board pursuant to authorization from the general meeting. Remuneration distribution plan for senior management shall be subject to the approval of the Board.

Article 19 The Remuneration Committee shall express its opinion on service contracts requiring shareholders' approval, advising shareholders whether the relevant terms are fair and reasonable, whether such contracts are in the overall interests of the issuer and its shareholders, and how the shareholders (excluding those who are directors and have a material interest in such service contracts, and their connected persons) should vote on the matter.

Article 20 The Committee shall be provided with sufficient resources to fulfill its responsibilities.

Article 21 The Committee shall publish its terms of reference on the websites of The Stock Exchange of Hong Kong Limited and the Company, and shall explain its role and powers delegated by the Board.

CHAPTER IV COMMITTEE MEETINGS

Article 22 Committee meetings are divided into regular meetings and extraordinary meetings.

Article 23 The Committee shall hold at least one regular meeting each year, with written notice (via email, SMS, or other electronic means) sent to all members three days prior to the meeting.

Article 24 The Committee shall convene extraordinary meetings as needed. In any of the following circumstances, the chairperson of the Committee shall issue a meeting notice within three days from the date of occurrence:

- (I) When the Board deems it necessary;
- (II) When the chairperson of the Committee deems it necessary;
- (III) When two or more Committee members propose it.

Article 25 The working body of the Committee shall be responsible for delivering the meeting notice in written form (via email, SMS, or other electronic means) to all Committee members and relevant individuals invited to attend the meeting three days prior to the meeting (except under special circumstances where advance notice may be exempted, in which case the meeting chair shall explain at the meeting). The notice shall specify the meeting format, time, venue, duration, agenda, issuance date, contact person, contact details, and relevant data.

Article 26 Upon receipt of the meeting notice, Committee members shall promptly confirm relevant information in an appropriate manner and provide feedback, including but not limited to whether they will attend the meeting, their travel arrangements, etc.

Article 27 Committee members shall attend meetings in person. If unable to do so, a member may issue a signed power of attorney authorizing another Committee member to attend and express opinions on his/her behalf. The power of attorney shall specify the scope and period of authorization. A member may only authorize one other member to exercise voting rights on his/her behalf per meeting; any authorization to two or more members is invalid. In addition, no member may accept authorizations from two or more members at the same time.

The authorized member attending the meeting on behalf of another shall exercise rights within the scope of authorization. A member who neither attends in person, nor authorizes another member, nor submits written opinions prior to the meeting, shall be deemed to have waived his/her rights.

Members unable to attend the meeting in person may also exercise their rights by submitting written opinions on the matters under discussion. Such written opinions shall be submitted to the working body of the Committee prior to the meeting in any event.

Article 28 If a Committee member fails to attend in person for two consecutive meetings, without appointing a proxy or submitting written opinions in advance; or if a member attends less than three-fourths of all Committee meetings in person within a year, the member shall be deemed incapable of fulfilling his/her responsibilities. The Board may adjust the Committee membership according to the Rules.

Article 29 A Committee meeting may only be held when at least two-thirds of members are present. Meetings shall be presided over by the chairperson of the Committee. If the chairperson of the Committee cannot attend, he/she may delegate another member to preside. If the chairperson of the Committee neither performs responsibilities nor delegates another member, any member may report the relevant situation to the Board, which shall designate an independent non-executive director to perform the responsibilities of the chairperson of the Committee.

CHAPTER V RULES OF PROCEDURE

Article 30 Each Committee member holds one vote. A resolution requires approval by a majority of all members. Where recusals prevent a valid resolution, the matter under discussion shall be submitted directly to the Board for deliberation.

Article 31 The Committee shall in principle hold meetings in person, by video conference, or by telephone conference. For extraordinary meetings where urgent circumstances or force majeure make these formats impossible, written communication may be used. In such cases, Committee members shall submit their written opinions on the matters under discussion to the Board within the time specified in the meeting notice.

Article 32 Voting at Committee meetings shall be conducted by a show of hands or by ballot. If members participating by telephone or video conference cannot sign resolutions in real time, they may first state their opinions orally and complete the written signature as soon as possible thereafter. The subsequent written signature must be consistent with the oral opinions expressed at the meeting.

Article 33 Committee members shall study and discuss the matters on the meeting agenda, and shall express clear, independent, and adequate opinions based on their own judgment. Where opinions differ, such differences shall be recorded in the meeting minutes submitted to the Board.

Article 34 The Committee may invite directors, senior management, internal experts, external experts, scholars, intermediaries, or other relevant personnel to sit in on Committee meetings. Such invitees shall provide explanations or clarifications as required by Committee members.

Article 35 Where deemed necessary, and subject to the approval of the Board, the Committee may engage external professionals or institutions to provide expert opinions, with reasonable expenses borne by the Company.

Article 36 A committee member shall make prior disclosure to the Committee if any of the following circumstances apply, and shall recuse themselves from discussion and voting on the relevant matter:

- (I) when the evaluation of the member himself/herself or the discussion of his/her remuneration is involved;
- (II) when the evaluation of the member's associates (as defined under the Hong Kong Listing Rules) or the discussion of their remuneration is involved;
- (III) in other situations where there is a conflict of interest or other circumstances that may affect the member's ability to make an objective and impartial judgment.

Article 37 All participants in Committee meetings are obligated to maintain confidentiality over the matters discussed and shall not disclose relevant information without authorization.

CHAPTER VI COMMITTEE MEETING MINUTES AND SUMMARIES

Article 38 Minutes shall be prepared for all Committee meetings by the working body of the Committee, and shall include:

- (I) Meeting number, format, date, venue, and name of the chairperson;
- (II) Attendance, absence, and proxy attendance;
- (III) Names and positions of non-voting attendees;

(IV) Agenda items;

(V) Key points of statements by Committee members and non-voting attendees;

(VI) Name of the recorder;

(VII) Meeting minutes or resolutions shall include notes on any recusals due to conflicts of interest (if applicable).

Attending members shall sign the minutes. The minutes shall be circulated to all Committee members within a reasonable time after the meeting for their comments.

Article 39 Following a Committee meeting, the working body of the Committee shall prepare the meeting summary based on the discussions. The summary shall be submitted to the Board and circulated to Committee members, the secretary of the Board, and the Company's human resource department and other relevant departments and personnel.

Article 40 The minutes, summaries, powers of attorney, written opinions of members, and other meeting materials shall be kept by the Board office in accordance with relevant regulations.

CHAPTER VII SUPPLEMENTARY PROVISIONS

Article 41 Unless otherwise specified, the terms used herein shall have the same meaning as those defined in the Articles of Association.

Article 42 For the purpose of the Rules, “**at least**” and “**within**” include the number itself, while “**more than**” does not include the number itself.

Article 43 For matters not covered by the Rules, or in the event of any inconsistency with laws, administrative regulations, normative documents, or regulatory rules of the place where the Company's shares are listed, which are issued after the effective date of the Rules, or with the Articles of Association as amended by due process, the relevant national laws, administrative regulations, normative documents, regulatory rules of the place where the Company's shares are listed, and the Articles of Association shall prevail, and the Rules shall be amended in a timely manner.

Article 44 The Rules, having been reviewed and approved by the Board, shall come into effect and be implemented from the date of the listing of the overseas listed foreign shares (H shares) issued by the Company for trading on The Stock Exchange of Hong Kong Limited.

Article 45 The right of interpretation and amendment of the Rules resides with the Board.

Article 46 The Rules are prepared in both Chinese and English. In case of discrepancies, the Chinese version shall prevail.