

# SHENZHEN HIPINE PRECISION TECHNOLOGY CO., LTD.

## 深圳西普尼精密科技股份有限公司

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

**(Stock Code: 2583)**

### **Terms of Reference of the Remuneration and Assessment Committee of the Board**

#### **Chapter 1 General Provisions**

**Article 1** For the purpose of improving the compensation and performance evaluation system for directors and officers of Shenzhen Hipine Precision Technology Co., Ltd. (the “**Company**”), and enhancing the corporate governance structure of the Company, the Remuneration and Assessment Committee of the Board (the “**Board**”) of Directors (the “**Directors**”) of Shenzhen Hipine Precision Technology Co., Ltd. (the “**Company**”) (the “**Remuneration and Assessment Committee**”) is hereby established and these Terms of Reference are formulated in accordance with the provisions of the Company Law of the People's Republic of China (the “**Company Law**”), the Articles of Association of Shenzhen Hipine Precision Technology Co., Ltd. (the “**Articles of Association**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), as well as the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules.

**Article 2** The Remuneration and Assessment Committee is a specialized working body established by the Board of Directors pursuant to a resolution of the shareholders' meeting. It is primarily responsible for developing performance evaluation standards and conducting evaluations for the Company's directors and officers, as well as formulating and reviewing remuneration policies and schemes for the Company's directors and officers, and is responsible to the Board of Directors.

The “officers” in these Terms of Reference refers to the General Manager, Deputy General Manager, Financial Officer, the Secretary to the Board of Directors, and any other person explicitly appointed as a member of officers by a resolution of the Board of Directors.

**Article 3** The Secretary to the Board of Directors of the Company provides comprehensive support to the Remuneration and Assessment Committee, including coordinating daily communications and organizing meetings. The Company's Human Resources Department offers professional assistance by supplying relevant operational data and materials related to personnel under evaluation, as well as reporting on the implementation of the performance evaluation system to the Committee.

## **Chapter 2 Composition**

**Article 4** The Remuneration and Assessment Committee shall be composed of three directors, including two Independent Non-Executive Directors.

**Article 5** The Remuneration and Assessment Committee shall be nominated by either the Chairman or the Board Nomination Committee, and elected by the Board of Directors.

**Article 6** The Remuneration and Assessment Committee shall have one convener (i.e., Chairman), who shall be an Independent Non-Executive Director responsible for presiding over the Committee's work. The convener shall be appointed by the Board of Directors.

**Article 7** The term of office of the Remuneration and Assessment Committee shall be the same as that of the Board of Directors. Members may be reappointed upon the expiration of their terms if re-elected. If a member of the Committee ceases to serve as a director of the Company during their term of office, or a member who is required to be an Independent Non-Executive Director no longer meets the independence criteria as set out in the Hong Kong Listing Rules, they shall automatically lose their membership. The Committee shall subsequently fill the vacancy in accordance with the provisions of these Terms of Reference. Any member of the Remuneration and Assessment Committee may submit a written resignation to the Board of Directors prior to the expiration of their term, thereby resigning from the Committee position. The resignation report shall make necessary explanations regarding the reasons for resignation and any matters requiring attention from the Company's Board of Directors.

## **Chapter 3 Duties and Authority**

**Article 8** The Remuneration and Assessment Committee shall disclose its functions and powers on the website of The Stock Exchange of Hong Kong Limited and the Company's website, explaining its role and the authority delegated by the Board of Directors. The Remuneration and Assessment Committee shall exercise the following functions and powers:

- (1) To determine the policy for the remuneration of executive Directors, formulate compensation plans or proposals of Directors and officers based on the scope of responsibilities, duties, significance of the positions held by directors and officers, as well as the compensation levels of comparable roles in other relevant enterprises;
- (2) The compensation plans or proposals shall include, but not limit to, performance evaluation criteria, procedures, key evaluation systems, as well as major schemes and policies for rewards and penalties; to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

- (3) To review the performance of duties by the Company's directors and officers, and conduct annual performance evaluations thereof;
- (4) To oversee the implementation of the Company's compensation system;
- (5) To make recommendations to the Board of Directors regarding the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, the determination of compensation packages for individual executive directors, senior management and officers, including non-monetary benefits, pension rights, and compensation payments (including compensation for loss or termination of office or appointment), and to provide advice on the compensation of non-executive directors; to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (6) To ensure that no director or any of their associates (as defined in the Hong Kong Listing Rules) participates in determining their own remuneration. In the case of a non-executive director who concurrently serves as a member of the Remuneration and Assessment Committee, their compensation shall be determined by the other members of the Committee;
- (7) To consult the Chairman of the Board or the General Manager regarding compensation proposals for other executive directors. Where necessary, the Remuneration and Assessment Committee shall seek independent professional advice;
- (8) To review and approve compensation payments to executive directors and officers in respect of their loss or termination of office or appointment, ensuring that such payments are consistent with the contractual terms. Where consistency with the contractual terms cannot be achieved, the compensation must be fair and reasonable and not excessive;
- (9) To review and approve 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 and not excessive; and compensation arrangements related to the dismissal or removal of a director due to misconduct, ensuring that such arrangements are consistent with the contractual terms. Where consistency with the contractual terms cannot be achieved, the compensation must be reasonable and appropriate;
- (10) To review incentive plans and service contracts of directors;

- (11) To review and/or approve matters relating to share plans as set out in Chapter 17 of the Hong Kong Listing Rules; and
- (12) To perform such other duties as required by national laws and regulations, the Hong Kong Listing Rules, these Terms of Reference, and the Board of Directors.

**Article 9** Compensation plans for the Company's directors proposed by the Remuneration and Assessment Committee shall be submitted to the Board of Directors for approval and then to the Shareholders' Meeting for review and adoption before implementation. Alternatively, the Shareholders' Meeting may authorize the Board of Directors to determine directors' compensation. Compensation distribution schemes for the Company's officers shall be submitted to the Board of Directors for approval.

According to the Hong Kong Listing Rules, the director service contracts requiring shareholders' approval as mentioned above include:

- (1) Contracts with a term of service exceeding three years; or
- (2) Contracts that require the Company to provide a notice period of more than one year or to pay compensation equivalent to more than one year's remuneration, or other payments, in the event of termination.

The Remuneration and Assessment Committee shall provide opinions on the aforementioned director service contracts requiring shareholders' approval, advising shareholders on whether the terms of such contracts are fair and reasonable, whether the contracts align with the overall interests of the Company and its shareholders, and how shareholders (excluding those directors who have a material interest in such service contracts and their connected persons) should vote.

## **Chapter 4 Decision-Making Procedures**

**Article 10** The Secretary to the Board of Directors, the Human Resources Department, and other relevant departments of the Company shall provide all or part of the following written materials as required by the Remuneration and Assessment Committee:

- (1) The company's key financial indicators and the completion status of operational objectives;
- (2) Information on the scope of responsibilities and primary duties of the Company's directors and officers;
- (3) The fulfillment status of performance evaluation indicators for directors and officers; and
- (4) The relevant calculation basis for formulating the Company's compensation distribution plan based on corporate performance.

**Article 11** The evaluation procedures for directors and officers by the Remuneration and Assessment Committee are as follows:

- (1) Directors and officers of the Company shall present their work reports and self-assessments to the Remuneration and Assessment Committee of the Board of Directors;
- (2) The Remuneration and Assessment Committee shall conduct performance evaluations of directors and officers in accordance with established performance evaluation criteria and procedures; and
- (3) The Committee shall propose the remuneration amounts and incentive methods for the Board of Directors and officers based on the results of position performance evaluations and the compensation distribution policy. Once approved through voting, the proposal shall be submitted to the Company's Board of Directors.

## **Chapter 5 Rules of Proceedings**

**Article 12** The Remuneration and Assessment Committee shall meet at least once a year. All members shall be notified at least three days prior to the meeting, unless all members unanimously agree to waive the advance notice requirement. Meetings shall be chaired by the Chairman of the Committee. If the Chairman is unable to attend the meeting, he may authorize another Independent Non-Executive Director to preside.

In case of any of the following circumstances, a member of the Remuneration and Assessment Committee may propose to convene an extraordinary meeting of the Committee. The convener shall, within three days of receiving such a proposal, convene and chair the meeting:

- (1) When the Board of Directors deems it necessary;
- (2) When the Chairman of the Remuneration and Assessment Committee deems it necessary;
- (3) When proposed by two or more Members.

If the convener is unable to or fails to perform their duties, another Independent Non-Executive Director shall convene and preside over the meeting.

**Article 13** A meeting of the Remuneration and Assessment Committee shall require the attendance of at least two-thirds of its members to be valid, with each member having one vote.

**Article 14** 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 meeting minutes.

Resolutions adopted at the meeting must be approved by a majority of all members.

**Article 15** Voting at meetings of the Remuneration and Assessment Committee shall be conducted by a show of hands or by ballot. Extraordinary meetings may be held by means of communication-based voting.

**Article 16** When necessary, the Remuneration and Assessment Committee may invite company directors and officers, the Human Resources Department, relevant department heads, and external advisors to attend its meetings as observers. Observers may provide explanations or clarifications on matters discussed during the meeting, but shall have no voting rights.

**Article 17** If necessary, the Remuneration and Assessment Committee may engage external professional institutions to provide expert advice to support its decision-making, with the associated costs borne by the Company.

**Article 18** When the Remuneration and Assessment Committee discusses matters related to any of its members, the affected member shall recuse themselves.

**Article 19** The procedures for convening meetings, the voting methods, and the compensation policies and distribution plans approved by the Remuneration and Assessment Committee must comply with all applicable laws and regulations, the Company's Articles of Association, the Hong Kong Listing Rules, and these Terms of Reference.

**Article 20** Meetings of the Remuneration and Assessment Committee shall be recorded in minutes. Members present and the meeting recorder shall sign the minutes, which shall be kept by the Office of the Board of Directors for a period of ten years.

**Article 21** Resolutions and voting results adopted at meetings of the Remuneration and Assessment Committee shall be reported to the Company's Board of Directors in writing.

**Article 22** All members and observers present at the meeting shall be bound by a confidentiality obligation with respect to the matters discussed and shall not disclose any related information without authorization.

**Article 23** The Chairman of the Remuneration and Assessment Committee or, in their absence, another member of the Committee (who must be an Independent Non-Executive Director) shall attend the annual general Shareholders' Meeting of the Company and respond to shareholders' questions regarding the Committee's activities and responsibilities.

## **Chapter 6 Supplementary Provisions**

**Article 24** In these Terms of Reference, the term “or above” shall be inclusive of the number itself, while the term “over” shall be exclusive of the number itself.

**Article 25** These Terms of Reference shall become effective and be implemented from the date of the Company’s initial public offering of H Shares and their listing and trading on the Main Board of The Stock Exchange of Hong Kong Limited, following their approval by the Board of Directors.

**Article 26** Matters not covered in these Terms of Reference shall be governed by the relevant national laws, regulations, normative documents, the regulatory rules of the stock exchange on which the company’s shares are listed, and the Company’s Articles of Association. In case of any conflict between these Terms of Reference and any subsequently promulgated national laws, regulations, normative documents, relevant regulatory rules of the stock exchange on which the company’s shares are listed, or the Company’s Articles of Association as amended through due procedures, the provisions of the aforementioned national laws, regulations, normative documents, regulatory rules, and the Company’s Articles of Association shall prevail. The Board of Directors shall promptly amend these Terms of Reference accordingly.

**Article 27** The authority to interpret these Terms of Reference resides with the Company’s Board of Directors.

*This Terms of Reference is written in Chinese. If there is any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.*