

Breton Technology Co., Ltd.

TERMS OF REFERENCE OF THE REMUNERATION AND APPRAISAL COMMITTEE OF THE BOARD OF DIRECTORS

CHAPTER I GENERAL

Article 1 These Terms of Reference are formulated for the remuneration and appraisal committee (the “**Committee**”) of the board of directors established by Breton Technology Co., Ltd. (the “**Company**”) in accordance with the Company Law of the People’s Republic of China, the Articles of Association of Breton 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**”) and other relevant regulations, in order to establish and improve the performance evaluation and appraisal system of senior management, formulate a scientific and effective remuneration management system, implement the talent development and utilization strategy on human resources of the Company, and improve the corporate governance structure of the Company.

Article 2 The Committee is a special committee under the board of directors, which is responsible for studying and making recommendations on the remuneration and appraisal of directors and senior management, and is directly responsible to the board of directors of the Company (the “**Board**”).

CHAPTER II COMPOSITION

Article 3 The Committee shall be composed of three directors, the majority of whom shall be independent non-executive directors.

Article 4 Members of the Committee shall be nominated by the chairperson of the Board, more than one-half of the independent non-executive directors or one-third of all directors, and be elected by the Board.

Article 5 The Committee shall have a chairperson (the convener) who shall be an independent non-executive director and shall be responsible for presiding the work of the Committee. The chairperson of the Committee shall be elected among the members and submitted to the Board for approval.

Article 6 The term of office of the Committee shall be consistent with that of the Board. A member of the Committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. During the period, any member of the Committee who no longer holds office as a director of the Company shall automatically cease to be a member of the Committee, and the Committee shall make up the number of members according to Articles 3 to 5 above. The original member shall continue to perform relevant duties in accordance with these Terms of Reference until the newly elected member takes office.

A member who fails to attend meetings of the Committee in person (including on-site attendance and attendance by means of communication) for two consecutive times and fails to submit to the Committee a report on his/her views on the subject matter of the meeting shall be deemed to have failed to perform his/her duties and the Committee shall recommend to the Board for removal and replacement.

Article 7 The Committee is responsible for providing relevant information on the persons being appraised and the meeting materials and is responsible for the preparatory work for the Committee meetings and implementing relevant resolutions of the Committee.

CHAPTER III DUTIES AND AUTHORITIES

Article 8 The primary duties and authorities of the Committee include:

- (1) making recommendations to the Board, based on the main scope, duties and importance of the management positions taken by directors and senior management, the overall remuneration policies and structure of the Company and on the establishment of a formal and transparent procedure, for formulating the remuneration policy. Remuneration policies mainly include but are not limited to: performance appraisal standards, procedures and main appraisal system, main proposals and system for rewards and punishments, etc.;
- (2) recommending to the Board the remuneration packages of individual executive director and senior management, including non-monetary benefits, pension benefits and compensation amounts (including compensation for loss or termination of office or appointment) and the remuneration of non-executive directors, and considering remuneration paid, time devoted and responsibilities in similar companies and the employment conditions of other positions within the Company and its subsidiaries;
- (3) reviewing and approving management's remuneration proposals in accordance with the corporate guidelines and goals set by the Board;
- (4) reviewing the performance of the Company's directors and senior management except independent non-executive directors and conducting annual performance appraisal and supervising the implementation of the Company's remuneration system;
- (5) reviewing and approving the compensation payable to directors and senior management for the loss or termination of their duties or appointments to ensure that such compensation is consistent with the contract terms, and that if not consistent with the contract terms, the compensation must also be fair and reasonable and not excessive;
- (6) reviewing and approving the compensation arrangement involved in the dismissal or removal of directors due to any director's misconduct to ensure that such arrangement is consistent with the contract terms, and that if it is not consistent with the contract terms, the compensation should also be reasonable and appropriate;
- (7) ensuring that no director or any of his/her associates (as defined in the Hong Kong Listing Rules) shall participate in the determination of his/her own remuneration; and
- (8) reviewing and/or approving matters relating to share schemes as referred to in Chapter 17 of the Hong Kong Listing Rules and such other matters as the Board may require to be performed or authorized and such other matters as may be involved in the relevant laws and regulations or the Hong Kong Listing Rules.

Article 9 The Committee's proposals shall be submitted to the Board for consideration and decision. Proposals required to be considered by the general meeting of shareholders in accordance with laws and regulations and other regulatory documents or the Articles of Association shall be submitted to the general meeting of shareholders for consideration and approval after obtaining the consent of the Board before implementation.

CHAPTER IV DECISION-MAKING PROCEDURES

Article 10 The Committee shall study the election criteria, selection procedures and term of office of the Company's directors and senior management in accordance with the requirements of relevant laws, regulations and the Articles of Association, and take into account the Company's actual conditions, to make decisions and submit them to the Board for consideration

Article 11 The Committee is responsible for the preparatory work for the remuneration and appraisal of directors and senior management and shall provide relevant information about the Company:

- (1) the information on the status of completion of the Company's main financial indicators and operating indicators;
- (2) the scope of work and the main responsibilities of senior management of the Company;
- (3) the status of completion of indicators involved in the performance evaluation system of directors and senior management;
- (4) the operational performance of business innovation and profitability of the directors and senior management; and
- (5) relevant calculation basis for the Company's remuneration distribution plan and distribution method.

Article 12 The procedures for the appraisal of directors and senior management are as follows:

- (1) the directors and senior management of the Company shall report and provide self-evaluation to the Committee;
- (2) the Committee shall conduct performance evaluation of directors and senior management in accordance with the performance evaluation standards and procedures;
- (3) the Committee shall propose the remuneration amount and reward method of the directors and senior management according to the performance evaluation results of their positions and the salary distribution policies. The proposals shall be submitted to the Board for consideration after voting.

CHAPTER V MEETING SYSTEM

Article 13 The Committee shall meet at least once a year and shall meet according to the needs and proposals of the Committee members; the chairperson of the Committee shall notify all the members three days in advance. The meeting shall be presided over by the chairperson of the Committee. When the chairperson cannot attend a meeting, he/she shall appoint another member (an independent non-executive director) to preside over the meeting on his/her behalf.

Article 14 The Committee meeting shall be held in the presence of more than two-thirds of the members, each of whom shall have one vote. The resolutions made at the meeting shall be passed by a majority of all members. In the event of an equal number of affirmative and negative votes, the chairperson of the Committee shall have the right to cast one more vote.

Article 15 The Committee meetings may be held on-site or by means of communication. Voting shall be taken by way of a poll.

Article 16 The Committee may invite directors, senior management and heads of the relevant departments to attend the Committee meeting if necessary.

Article 17 When the Committee deems it necessary, it may engage intermediary institutions to seek professional advice for its decision-making at the Company's expense.

Article 18 Any Committee member who is related to the matter in discussion at the meeting should recuse from such discussion. If the Committee members cannot reach an effective resolution due to such recusal, the relevant matters shall be directly considered by the Board.

Article 19 The procedures for convening the Committee meeting, the voting method and the resolutions passed at the meetings should comply with the relevant laws, regulations, the Articles of Association and these Terms of Reference.

Article 20 Minutes should be kept for the Committee meetings in sufficient detail on the matters considered by the Remuneration and Appraisal Committee and the decisions reached, and shall include the following information: date, time, venue, moderator, participants, agenda of the meeting and voting results of each resolution. Members present at the meeting should sign on the minutes of the Committee meetings. The meeting minutes shall be kept by the secretary of the Board of the Company.

Article 21 The resolutions and voting results of the Committee meetings should be submitted in writing to the Board of the Company.

Article 22 The Committee members and persons present at the meeting shall have the obligation to keep confidential the matters discussed at the meeting and shall not disclose relevant information without authorization.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 23 These Terms of Reference shall take effect from the date of being considered and approved by the Board.

Article 24 Any matters not covered hereunder shall be subject to the provisions of relevant national laws, regulations, the Hong Kong Listing Rules and the Articles of Association; if these Terms are in conflict with the national laws and regulations promulgated in the future, or the Hong Kong Listing Rules or the Articles of Association as amended by lawful procedures, the latter shall prevail and amendments to these Terms shall be made immediately and submitted to the Board for consideration and approval.

Article 25 Amendments to these Terms of Reference shall be proposed and approved by the Board to become effective.

Article 26 The Board reserves the right of final interpretation of these Terms of Reference.