SG Micro Corp

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

(2025 Revision)

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Chapter 1 General Provisions

Article 1 In order to improve the corporate governance structure of SG Micro Corp (the "**Company**"), the Company has established the Remuneration and Appraisal Committee of the Board of Directors (the "**Remuneration and Appraisal Committee**") and enacted these Terms of Reference in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Articles of Association of SG Micro Corp (the "**Articles of Association**"), and other relevant provisions.

Article 2 The Remuneration and Appraisal Committee is a specialized body established by the Board of Directors in accordance with the Company's Articles of Association. It is primarily responsible for establishing evaluation criteria for the Company's Directors and senior management officers and conducting such evaluations; it is also responsible for formulating and reviewing remuneration policies and plans for the Company's Directors and senior management officers, and reports to the Board of Directors.

Article 3 For the purposes of this Article, "Director" refers to a Director who receives remuneration from the Company (excluding Independent Directors); "senior management officers" refers to the general manager, deputy general managers, Board Secretary, and chief financial officer appointed by the Board of Directors, as well as other senior management officers specified in the Company's Articles of Association. For the purposes of these Terms of Reference, the term "remuneration" includes, but is not limited to, all salaries, bonuses, allowances, benefits (whether in cash or in kind), pensions, severance payments (including compensation payable for the loss or termination of a position or appointment), stock options, and stock grants.

Chapter 2 Composition

Article 4 The Remuneration and Appraisal Committee consists of three Directors, two of whom are Independent Directors.

Article 5 Members of the Remuneration and Appraisal Committee shall be nominated by the Chairperson of the Board, at least half of the Independent Directors or at least one-third of all the Directors, and shall be elected by the Board of Directors.

Article 6 The Remuneration and Appraisal Committee shall have one Chairperson, who shall be an Independent Director and shall be responsible for convening committee meetings and presiding over the committee's work. The Chairperson shall be elected by the committee and appointed upon approval by the Board of Directors.

Article 7 The term of office for members of the Remuneration and Appraisal Committee shall be the same as their term of office on the Board of Directors. Upon the expiration of their term, members may be re-elected. If, during this period, a committee member ceases to serve as a Director of the Company, such member shall automatically lose his/her committee membership, and the Board of Directors shall fill the vacancy in accordance with the provisions of Articles 4 to 6 above.

Article 8 The Remuneration and Appraisal Committee may establish working groups.

Chapter 3 Duties and Authorities

Article 9 The Remuneration and Appraisal Committee is responsible for formulating appraisal standards for Directors and senior management officers and conducting appraisals, formulating and reviewing remuneration policies and programs such as the mechanism for determining the remuneration of Directors and senior management officers, the decision-making process, and the payment arrangement, suspension of payment and recourse provisions, as well as making recommendations to the Board of Directors in respect of the following matters:

(I) remuneration of Directors and senior management officers;

(II) formulation or change of the equity incentive plans and employee stock ownership plans, and the satisfaction of the conditions for incentive recipients to be granted and exercise options;

(III) the arrangement of shareholding plans of Directors and senior management officers in subsidiaries to be split;

(IV) other matters provided for by laws, administrative regulations, regulations of the CSRC, and the Articles of Association.

If the Board of Directors rejects or partially rejects, the recommendations of the Remuneration and Appraisal Committee, it shall record the Committee's opinions and the specific reasons for non-adoption in the Board resolution and disclose such information.

Article 10 The Board of Directors has the authority to veto any remuneration policies, plans, or proposals that are detrimental to the interests of Shareholders.

Article 11 The remuneration policies and plans for the Directors proposed by the Remuneration and Appraisal Committee shall be submitted to the Board of Directors for approval and submitted to the Shareholders' Meeting for deliberation and approval before implementation. The remuneration distribution plan for the senior management officers of the Company shall be submitted to the Board of Directors for approval.

Chapter 4 Working Procedures

Article 12 The Procedures of the Remuneration and Appraisal Committee for the evaluation of Directors and senior management officers:

(I) The Directors and senior management officers shall present their work reports and self-evaluations to the Remuneration and Appraisal Committee;

(II) The Remuneration and Appraisal Committee shall evaluate the performance of Directors and senior management officers in accordance with performance evaluation standards and procedures;

(III) The Remuneration and Appraisal Committee shall propose the remuneration amounts and incentive schemes for Directors and senior management officers based on the results of performance evaluations and compensation policies, and, after approval by a vote, submit the proposal to the Board of Directors.

Chapter 5 Rules of Procedures

Article 13 Meetings of the Remuneration and Appraisal Committee are divided into regular meetings and extraordinary meetings. Regular meetings are held at least once a year; extraordinary meetings may be convened upon the proposal of the convener or at least half of the committee members.

Article 14 The Remuneration and Appraisal Committee meeting shall be convened and chaired by the convener. If the convener is unable to attend, he or she may delegate another member (an Independent Director) to chair the meeting. If the convener fails to perform his or her duties, at least half of the members shall jointly elect a member to be responsible for convening and chairing the meeting.

Article 15 All members of the Remuneration and Appraisal Committee shall be notified at least three days prior to the meeting.

Article 16 A meeting of the Remuneration and Appraisal Committee shall be held only when at least two-thirds of the members are present. Each member shall have one vote. The meeting resolutions shall be adopted by more than half of all the members.

Article 17 Voting at meetings of the Remuneration and Appraisal Committee may be conducted by a show of hands or by ballot. Meetings of the Remuneration and Appraisal Committee may be held by voting through correspondence.

Article 18 The Remuneration and Appraisal Committee may, when necessary, invite the Directors, senior management officers, and other staff members who are not members of the Remuneration and Appraisal Committee to attend its meetings as observers.

Article 19 If necessary, the Remuneration and Appraisal Committee may engage professional intermediaries to provide professional opinions, with the cost borne by the Company.

Article 20 When the Remuneration and Appraisal Committee discusses matters involving a conflict of interest for a committee member, the interested member shall recuse himself/herself. A meeting of the Remuneration and Appraisal Committee may be held if a majority of its disinterested members are present, and resolutions adopted at such meetings shall be approved by a majority of the disinterested members present. If the number of disinterested members present is less than one-half of the total number of disinterested members of the Remuneration and Appraisal Committee, the matter shall be submitted to the Board of Directors for consideration.

Article 21 The procedures for convening meetings of the Remuneration and Appraisal Committee, the methods of voting, and the resolutions adopted at such meetings shall comply with the relevant laws, regulations, the Company's Articles of Association, and these Terms of Reference.

Article 22 The Remuneration and Appraisal Committee meeting shall have meeting minutes, which shall be signed by the members attending the meeting and shall be maintained by the Board Secretary.

Article 23 The resolutions adopted by the Remuneration and Appraisal Committee meeting and voting results shall be reported to the Board in written form.

Article 24 All members and relevant personnel attending the meeting are bound by a duty of confidentiality regarding the matters discussed at the meeting. They shall not disclose any related information to any person without authorization until such matters have been reviewed and approved by the Shareholders' Meeting or the Board of Directors and publicly disclosed, except where required by law or by a mandatory order from a competent authority.

Chapter 6 Supplementary Provisions

Article 25 These Terms of Reference shall take effect and be implemented upon approval by the Board of Directors.

Article 26 Unless otherwise specified, the term "at least" in these Terms of Reference includes the number itself, while the terms "more than" and "less than" exclude the number itself.

Article 27 Any matters not covered by these Terms of Reference shall be handled in accordance with relevant national laws, regulations, normative documents, and the Company's Articles of Association. In the event of any inconsistency between these Terms of Reference and the relevant provisions of the relevant laws, regulations, normative documents, or the Company's Articles of Association, the relevant provisions of relevant laws, regulations, normative documents, and the Company's Articles of Association shall prevail. If these Terms of Reference conflict with any laws, regulations, or normative documents promulgated by the state in the future, or with the Articles of Association as amended through lawful procedures, the provisions of the relevant laws, regulations, normative documents, and Articles of Association shall prevail, and these Terms of Reference shall be amended immediately and submitted to the Board of Directors for review and approval.

Article 28 The right to interpret and amend these Terms of Reference shall reside with the Board of Directors.

SG Micro Corp
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