

ZHEJIANG LAIFUAL DRIVE CO., LTD.
TERMS OF REFERENCE OF THE REMUNERATION AND
APPRAISAL COMMITTEE OF THE BOARD OF DIRECTORS

Chapter I General Provisions

- Article 1 In order to further establish and improve the appraisal and remuneration management system for the directors and senior management of Zhejiang Laifual Drive Co., Ltd. (浙江來福諧波傳動股份有限公司) (hereinafter referred to as “Company”), and to enhance the corporate governance structure, the Company has established the Remuneration and Appraisal Committee of the Board of Directors (hereinafter referred to as “Committee”) and formulated these terms of reference (hereinafter referred to as these “Terms”) in accordance with the Company Law of the PRC (2023 Revision), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”), the Articles of Association of Zhejiang Laifual Drive Co., Ltd. (hereinafter referred to as the “Articles of Association”), as well as other relevant laws, regulations, normative documents and the securities regulatory rules of the place(s) where the shares of the Company are listed.
- Article 2 The Committee is a specialized working body established under the Board of Directors of the Company, primarily responsible for formulating the appraisal standards for the directors and senior management of the Company and conducting such appraisals; and responsible for formulating and reviewing the remuneration policies and proposals for the directors and senior management of the Company.
- Article 3 The Committee shall be accountable to the Board of Directors and report its work to the Board of Directors. The Remuneration and Appraisal Committee shall perform its duties in accordance with the laws and regulations, the securities regulatory rules of the place(s) where the shares of the Company are listed, the Articles of Association and the authorization of the Board of Directors. Unless otherwise specified, the proposals of the Remuneration and Appraisal Committee shall be submitted to the Board of Directors for consideration and approval.
- Article 4 For the purposes of these Terms, “Directors” refer to all the Directors of the Company, and “senior management” refers to the general manager, deputy general manager, financial officer, secretary to the Board of Directors and other senior management stipulated in the Articles of Association who are appointed by the Board of Directors.
- Article 5 These Terms shall apply to the Committee and the relevant personnel and departments referred to in these Terms.

Chapter II Composition of the Committee

- Article 6 The Committee shall consist of at least three Directors, the majority of whom shall be independent non-executive Directors.
- Members of the Committee shall be nominated by the chairman of the Board of Directors, more than one-half of the independent Directors or more than one-third of all Directors, and shall be elected by the Board of Directors and approved by more than one-half of all directors.
- Article 7 The Committee shall have one chairman, who shall be an independent non-executive Director. The chairman shall be nominated by the chairman of the Board of Directors of the Company, and considered and approved by the Board of Directors.
- Article 8 The term of office of the Committee shall be the same as that of the current Board of Directors, and the term of office of each member shall be the same as his or her term of directorship. Upon expiration of the term of office, a member may be re-elected and re-appointed. If any member of the Committee ceases to hold office as a Director of the Company during his/her term of office, or if a member who is required to be an independent non-executive Director ceases to possess the independence required by the Hong Kong Listing Rules, his/her qualification as a member shall automatically lapse, and the vacancy shall be filled by the Board of Directors in accordance with these Terms.
- Article 9 Members of the Committee may tender their resignation to the Board of Directors prior to the expiration of their term of office, and the resignation report shall contain necessary explanations on the reasons for resignation and the matters that require the attention of the Board of Directors of the Company. Where the number of members of the Committee falls below the minimum number prescribed in these Terms of Reference, the resigning member shall continue to perform his/her relevant duties until a substitute member appointed by the Board of Directors assumes office.
- Article 10 Upon a proposal by the chairman of the Board of Directors and the consideration and approval by the Board of Directors, adjustments may be made to the members of the Committee during their term of office.
- Article 11 Members of the Committee shall disclose to the Committee:
- (1) any personal financial interests (other than interests held in the capacity as a Shareholder of the Company) in any matter to be decided by the Remuneration and Appraisal Committee; or
 - (2) any potential conflicts of interest arising from serving as a Director of other companies.

In the event of the aforementioned interests, any relevant member shall abstain from voting on the matters deliberated by the Committee, shall not participate in the discussion of the relevant matters, and shall (if requested by the Board of Directors) resign from his/her position on the Committee.

Article 12 Where the composition of the Committee fails to satisfy the requirements under these Terms, the Board of Directors shall immediately issue an announcement in accordance with the requirements of the Hong Kong Listing Rules setting out the details of and reasons for such non-compliance, and shall make up the shortfall in accordance with the provisions of these Terms within three months from the date of such non-compliance. The term of office of the member appointed to fill the vacancy shall end upon the expiration of his/her term of office as a Director.

Article 13 Under the coordination of the office of the Board of Directors, the human resources department of the Company, as the working body of the Committee, shall provide support and services for the work of the Committee, and undertake the relevant work assigned by the Committee.

Chapter III Duties of the Committee

Article 14 The main duties of the Committee are:

- (1) to make recommendations to the Board of Directors on the remuneration policy and structure for all Directors and senior management, and on the establishment of a formal and transparent procedure for developing such remuneration policy;
- (2) to review and approve the management's remuneration proposals with reference to the corporate goals and objectives of the Board of Directors;
- (3) to make recommendations to the Board of Directors on the remuneration packages of each of executive Directors and senior management, or to determine (with delegated responsibility) the remuneration packages of each of executive Directors and senior management. Such remuneration packages shall include non-monetary benefits, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (4) to make recommendations to the Board of Directors on the remuneration of non-executive Directors;
- (5) to consider the remuneration paid by similar companies, time commitment required and responsibilities involved, and other employment conditions of the Company and its subsidiaries;
- (6) 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; otherwise it must be fair and not excessive;

- (7) to review and approve compensation arrangements relating to dismissal or removal of a Director due to misconduct, to ensure such arrangements are consistent with contractual terms; otherwise, it must be fair and not excessive; and
- (8) to ensure that no Director or any of their associates (as defined in the Hong Kong Listing Rules) participates in determining their own remuneration.
- (9) to be responsible for monitoring the implementation of the remuneration system of the Company;
- (10) to review, formulate and/or approve the share incentive scheme for the directors (including non-independent non-executive directors), supervisors, senior management and other relevant parties of the Company in accordance with relevant laws, administrative regulations, departmental rules, regulatory documents and the listing rules of the stock exchange where the shares of the Company are listed (including matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules);
- (11) to be responsible for the administration of equity plans, including but not limited to reviewing the eligibility of participants, conditions of grant and conditions of exercise of the share incentive plans;
- (12) to perform other matters as required by laws, administrative regulations, the securities regulatory rules of the place(s) where the shares of the Company are listed, the Articles of Association, these Terms of Reference and as authorized by the Board of Directors.

Article 15

The duties of the Chairman of the Committee are:

- (1) to convene and preside over regular meetings and extraordinary meetings of the Committee;
- (2) to supervise and inspect the work of the Committee and the implementation of the resolutions of the Committee;
- (3) to sign relevant documents of the Committee;
- (4) to report the work of the Committee to the Board of Directors of the Company;
- (5) to attend the annual general meeting of the Company and answer questions from Shareholders on matters relating to the duties of the Committee. If the chairman of the Committee is unable to attend the annual general meeting, another member or a duly appointed delegate shall attend in his/her place;

- (6) to perform other duties as required by laws and regulations, relevant regulatory rules of the listing place such as the Hong Kong Listing Rules, these Terms and the Board of Directors.

Article 16 The main duties of the members are:

- (1) to attend meetings of the Committee punctually, express views on the matters discussed and exercise voting rights at the meetings;
- (2) to submit proposals for discussion at the meetings of the Committee;
- (3) to attend or observe relevant meetings of the Company for the purpose of performing his/her duties, conduct investigations and research, and obtain necessary reports, documents, materials and other relevant information;
- (4) to fully understand the duties of the Committee and his/her role as a member of the Committee, and acquaint himself/herself with the operation and management, business activities and development of the Company to ensure his/her capability for the performance of duties;
- (5) to ensure that he/she has devoted sufficient time and attention to fulfil his/her duties;
- (6) to perform other powers and duties as prescribed by laws and regulations, the Hong Kong Listing Rules and other relevant regulatory rules of the listing place, these Terms and delegated by the Board of Directors.

Article 17 The working body of the Committee shall be responsible for preliminary preparations for the decision-making of the Committee and for providing the following relevant information of the Company:

- (1) key financial indicators and the completion status of operating targets of the Company;
- (2) the scope of work and main duties of the senior management of the Company;
- (3) the completion status of the performance evaluation indicators of the Directors and senior management;
- (4) relevant calculation basis for the formulation of the remuneration distribution schemes of the Company based on the performance of the Company.

Article 18 The Board of Directors shall have the right to veto any remuneration plan or proposals that prejudices the interests of the Shareholders. The remuneration plan for the Directors of the Company proposed by the Committee shall be submitted to the Board of Directors for consent, and then submitted to the shareholders' meeting for consideration and approval before implementation, or the shareholders' meeting may authorize the Board of Directors to determine the remuneration of the Directors; the remuneration distribution scheme for the senior management of the Company shall be submitted to the Board of Directors for approval.

Chapter IV Meetings of the Committee

Article 19 Meetings of the Committee are divided into regular meetings and extraordinary meetings.

Article 20 Regular meetings shall be held at least once a year, and all members shall be notified in writing three days prior to the meeting.

Article 21 The Committee may convene extraordinary meetings as necessary. The chairman of the Committee shall issue a notice to convene a meeting within three days from the date of the occurrence of any of the following events:

- (1) when the Board of Directors deems it necessary;
- (2) when the chairman of the Committee deems it necessary;
- (3) when a proposal is made by two or more members.

Article 22 The working body of the Committee shall be responsible for delivering the meeting notice in writing to each member and the relevant personnel invited to attend the meeting three days prior to the meeting (except in special circumstances where the requirement of prior notice is exempted, provided that the chairman of the meeting shall explain at the meeting). The meeting notice shall include the form, time, venue, duration and agenda of the meeting, the time of issuance of the notice, the contact person and his/her contact information, and relevant materials.

Article 23 Upon receipt of the meeting notice, members of the Committee shall promptly provide confirmation and relevant replies (including but not limited to the confirmation of attendance and itinerary arrangements) through appropriate means.

Article 24 Members of the committee shall attend a meeting in person. If a member is unable to attend the meeting in person for any reason, such member shall, by signing and submitting a proxy form, authorize another member of the Committee to attend and express opinions at the meeting on his/her behalf. Such proxy form shall specify the scope and term of the authorization. Each member may only appoint one other member to exercise voting rights on his/her behalf at a time. If a member appoints two or more proxies to exercise voting rights, such appointment shall be invalid. Meanwhile, no member shall concurrently act as proxy for two or more members.

The members attending a meeting as a proxy shall exercise rights within the scope of authorization. If a member fails to attend a committee meeting in person, and neither appoints another member of the committee to exercise rights on his/her behalf nor submits written opinions prior to the convening of the meeting, he/she shall be deemed to have waived his/her rights.

A member who is unable to attend the meeting in person may also exercise his/her rights by submitting written opinions on the matters to be considered, provided that such written opinions shall be submitted to the working body of the committee prior to the convening of the meeting at the latest.

Article 25 If a member of the Committee fails to attend Committee meetings in person for two consecutive meetings, and neither appoints another member of the Committee as proxy nor submits written opinions prior to the meeting; or if a member's personal attendance at meetings within one year is less than three-quarters of the total number of meetings, such member shall be deemed unable to perform the duties of the Committee, and the Board of Directors may adjust the Committee members in accordance with these Terms.

Article 26 A meeting of the Committee may only be held with the attendance of two-thirds or more of its members. The meeting shall be presided over by the chairman of the Committee. If the chairman of the Committee is unable to attend the meeting, he/she may appoint another member of the Committee to preside over the meeting. Where the chairman of the Committee neither performs his/her duties nor designates another member to perform his/her duties on his/her behalf, any member may report the relevant situation to the Board of Directors of the Company, and the Board of Directors of the Company shall designate an independent non-executive Director who is a Committee member to perform the duties of the chairman of the Committee.

Chapter V Procedures of Meetings

Article 27 Each member of the Committee shall have one vote. A resolution of the meeting shall be passed by over half of the votes of all members. In the event that the meeting fails to reach a valid resolution due to the abstention of member, the relevant matter shall be submitted directly to the Board of Directors for consideration.

Article 28 Meetings of the Committee shall, in principle, be held by way of on-site meeting, video conference or teleconference. Where it is impracticable to hold an on-site meeting, video conference or teleconference in case of emergency, force majeure or other special circumstances, a meeting may be held by means of written communication. Where a meeting is conducted by means of written communication, the Committee members shall submit to the Board of Directors their written opinions on the matters to be discussed within the period specified in the notice of the meeting.

- Article 29 Voting at meetings of the Committee shall be conducted by a show of hands or by poll. Where any member attending via teleconference or video conference is unable to sign the resolutions in real time, he/she may first express his/her views orally and complete the written signature procedures as soon as practicable. The subsequent written signatures must be consistent with the oral views expressed at the meeting.
- Article 30 At meetings of the Committee, matters under consideration shall be deliberated and discussed. Committee members shall, based on their own judgment, express their opinions clearly, independently and fully; any dissenting opinions shall be set out in the meeting minutes submitted to the Board of Directors.
- Article 31 The Committee may invite Directors, relevant senior management and relevant experts of the Company, as well as external experts, scholars, intermediary agencies and relevant persons to attend the meeting as observers. Those invited shall give explanations and elaborations on any matters as requested by any Committee member.
- Article 32 Where the Committee deems it necessary, it may, upon approval of the Board of Directors, seek professional advice from external professionals or institutions. Any reasonable cost so incurred shall be borne by the Company.
- Article 33 A member of the Committee shall make prior disclosure to the Committee, and abstain from discussion and voting on the relevant matters if he/she falls under any of the following circumstances:
- (1) when evaluating the member himself/herself or discussing his/her remuneration;
 - (2) when evaluating or discussing the remuneration of an associate (as defined under the Hong Kong Listing Rules) of such member;
 - (3) other circumstances where a conflict of interest exists or which may otherwise affect such member in making an objective and fair judgment.
- Article 34 All persons attending the meeting shall owe a duty of confidentiality regarding the matters discussed at the meeting, and shall not disclose the relevant information without authorization.

Chapter VI Meeting Minutes and Meeting Summaries

- Article 35 Minutes shall be kept for all meetings of the Committee, which shall be prepared by the working body of the Committee and shall contain the following information:
- (1) the meeting number, the manner of convening, date, venue and name of the chairman of the meeting;
 - (2) the attendance and absence of members in person and by proxy;

- (3) the name and title of each attendee;
- (4) the agenda of the meeting;
- (5) the main points made by the Committee members and other relevant attendees;
- (6) the name of the minutes taker;
- (7) the abstention of any interested member (if any), which shall be specified in the minutes or the relevant resolutions.

All Committee members present at the meeting shall sign the minutes.

Article 36 Following each meeting of the Committee, the working body of the Committee shall prepare a meeting summary recording the considerations and discussions of the meeting. Copies of the meeting summary shall be submitted to the Board of Directors of the Company and circulated to all Committee members, the secretary to the Board of Directors, the human resources department of the Company and other relevant departments and persons.

Article 37 Meeting minutes, meeting summary, proxy forms, written opinions of the members of the Committee and other materials of the meeting of the Committee shall be kept by the office of the Board of Directors in accordance with relevant requirements.

Chapter VII Supplementary Provisions

Article 38 Unless otherwise stated, terms used herein shall have the same meanings ascribed to them in the Articles of Association.

Article 39 For matters not covered in these Terms, or in the event of any contradiction with any laws, administrative regulations, departmental rules, other normative documents, the Hong Kong Listing Rules and other relevant regulatory rules of the place of listing promulgated after these Terms become effective, or the Articles of Association as amended pursuant to lawful procedures, the provisions of the relevant national laws, administrative regulations, departmental rules, other normative documents, the Hong Kong Listing Rules and other relevant regulatory rules of the place of listing, and the Articles of Association shall prevail. These Terms shall be amended immediately and submitted to the Board of Directors for consideration and approval.

Article 40 These Terms have been considered and approved by the Board of Directors and shall become effective and applicable from the date of the initial public offering and listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited.

Article 41 The rights of interpretation and amendment of these Terms shall be vested in the Board of Directors of the Company.