

Red Avenue New Materials Group 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 establish a robust remuneration and appraisal management system for the directors and senior management of Red Avenue New Materials Group Co., Ltd. (the “**Company**”) and further improve the corporate governance structure, the Company has established the Remuneration and Appraisal Committee of the Board of Directors (the “**Remuneration and Appraisal Committee**”) and formulated 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Articles of Association of Red Avenue New Materials Group Co., Ltd. (the “**Articles of Association**”), and other relevant laws, regulations and provisions.

Article 2 The Remuneration and Appraisal Committee is a specialized committee established by the Board of Directors pursuant to the Articles of Association. It is primarily responsible for formulating and conducting performance appraisals for the Company’s directors and senior management. It is also responsible for formulating and reviewing the remuneration policies and plans for the Company’s directors and senior management, and reporting to the Board of Directors.

Article 3 For the purpose of these Terms of Reference, “directors” refers to directors who receive remuneration from the Company; “senior management” refers to the President, Senior Vice Presidents, Vice Presidents, Board Secretary, Chief Financial Officer, and other senior management personnel recognized by the Articles of Association, who are appointed by the Board of Directors.

CHAPTER II COMPOSITION OF MEMBERS

Article 4 The Remuneration and Appraisal Committee shall consist of three directors, two of whom shall be independent directors.

Article 5 The members of the Remuneration and Appraisal Committee shall be elected by the Board of Directors.

Article 6 The Remuneration and Appraisal Committee shall have one chairman, who shall be an independent director. The chairman is responsible for convening and presiding over committee meetings. The chairman shall be elected by the Remuneration and Appraisal Committee and approved 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 as directors of the Board. Members may be re-elected upon the expiration of their term. Where a member ceases to serve as a director of the Company during his or her term, he or she shall automatically cease to be a member of the Remuneration and Appraisal Committee, and the Board of Directors shall appoint a replacement in accordance with Articles 4 to 6 above.

Article 8 The Remuneration and Appraisal Committee shall establish a Remuneration and Appraisal Department as its supporting working body, which shall be responsible for providing the Company's operational data and relevant information on personnel being evaluated, preparing meetings of the Remuneration and Appraisal Committee, and executing its resolutions. Members of the Remuneration and Appraisal Department shall be appointed by the Remuneration and Appraisal Committee.

CHAPTER III DUTIES AND POWERS

Article 9 The principal duties and powers of the Remuneration and Appraisal Committee shall include the following:

- (1) Researching appraisal standards for directors and senior management, and making recommendations to the Board of Directors;
- (2) Researching, reviewing and formulating remuneration policies, plans, or schemes based on the primary scope, duties, and importance of the positions of directors and senior management, as well as the remuneration levels for comparable positions in other relevant enterprises. These remuneration policies, plans, or schemes shall include, but not be limited to, performance evaluation standards, procedures, key evaluation systems, and primary incentive and disciplinary schemes and systems;
- (3) Making recommendations to the Board of Directors regarding the overall remuneration policy and structure for directors and senior management, and regarding the establishment of formal and transparent procedures for formulating remuneration policies;
- (4) Reviewing and approving remuneration proposals for management in response to corporate policies and objectives set by the Board of Directors;
- (5) Considering the remuneration paid by comparable companies, the time commitment and duties required, and the employment conditions of other positions within the Company and its subsidiaries;
- (6) Reviewing and approving the compensation payable to directors and senior management for loss or termination of office or appointment, to ensure that such compensation is consistent with contractual terms. If not, the compensation must also be fair, reasonable, and not excessive;

- (7) Reviewing and approving compensation arrangements related to the dismissal or removal of directors due to misconduct, to ensure such arrangements are consistent with contractual terms; if not, the compensation must also be reasonable and appropriate;
- (8) Ensuring that no director or any of their associates (as defined in the Listing Rules) is involved in determining their own remuneration;
- (9) Reviewing and/or approving matters related to share option schemes as described in Chapter XVII of the Listing Rules;
- (10) Reviewing the performance of directors (excluding independent directors) and senior management in fulfilling their duties and conducting their annual performance appraisals;
- (11) Supervising the implementation of the Company's remuneration system;
- (12) Reviewing annually these terms of reference and their effectiveness. If the Remuneration and Appraisal Committee deems it necessary, it may provide modification recommendations to the Board of Directors;
- (13) Exercising such powers as the Remuneration and Appraisal Committee considers necessary or desirable to enable it to properly discharge its responsibilities under this Chapter III;
- (14) Other matters authorized by the Board of Directors.

Article 10 The Board of Directors has the right to veto remuneration policies, plans, or proposals that harm shareholders' interests.

Article 11 The remuneration policies and plans for directors proposed by the Remuneration and Appraisal Committee must be submitted to the Board of Directors for approval, and then to the shareholders' meeting for review and approval before implementation; the remuneration distribution plan for senior management must be submitted to the Board of Directors for approval.

Article 12 The Remuneration and Appraisal Committee is responsible for establishing and conducting performance appraisals for directors and senior management, and for formulating and reviewing remuneration policies and plans for directors and senior management, and making recommendations to the Board of Directors on the following matters:

- (1) The remuneration packages for directors and senior management (this should include non-cash benefits, pension rights, and compensation amounts (including compensation for loss or termination of office or appointment));
- (2) Remuneration for non-executive directors;

- (3) Formulating or changing equity incentive plans and employee shareholding plans, and the conditions for incentive recipients to be granted and exercise their rights;
- (4) Directors and senior management's arrangements for holding shares in proposed spin-off subsidiaries;
- (5) Other matters stipulated by laws, administrative regulations, the China Securities Regulatory Commission, and the Articles of Association.

Where the Board of Directors does not adopt or fully adopt the opinions of the Remuneration and Appraisal Committee, the Board of Directors resolution shall record the opinions of the Remuneration and Appraisal Committee and the specific reasons for non-adoption and shall be disclosed.

Article 13 The Remuneration and Appraisal Committee should consult with the Chairman and/or Chief Executive Officer regarding remuneration recommendations for other executive directors. If necessary, the Remuneration and Appraisal Committee may seek independent professional advice.

CHAPTER IV WORKING PROCEDURES

Article 14 The Remuneration and Appraisal Department, established under the Remuneration and Appraisal Committee, shall be responsible for making preliminary preparations for the decision-making of the Remuneration and Appraisal Committee and providing the Company information:

- (1) The achievement of the Company's financial indicators and its operational targets;
- (2) Senior management's scope of responsibility and primary duties;
- (3) The completion status of performance indicators outlined in the job performance appraisal system for directors and senior management;
- (4) Directors' and senior management's operational performance regarding their business innovation and profit-generating capabilities;
- (5) The relevant calculation basis for the Company's proposed remuneration distribution plan and methods, based on the Company's performance.

Article 15 The Remuneration and Appraisal Committee's evaluation procedures for directors and senior management are as follows:

- (1) The Company's directors and senior management shall present their reports and self-evaluations to the Remuneration and Appraisal Committee;

- (2) The Remuneration and Appraisal Committee shall conduct performance evaluations of directors and senior management according to the performance evaluation standards and procedures;
- (3) Based on the results of the job performance evaluation and the remuneration distribution policy, the Remuneration and Appraisal Committee shall propose the remuneration amounts and reward methods for directors and senior management. After approval by vote, these proposals shall be submitted to the Board of Directors.

CHAPTER V RULES OF PROCEDURE

Article 16 A meeting of the Remuneration and Appraisal Committee may be convened upon the proposal of two or more members, or when the chairman deems it necessary.

Article 17 Meetings of the Remuneration and Appraisal Committee shall be convened and presided over by the chairman. Where the chairman is unable or fails to perform such duties, another independent director member shall convene and preside over the meeting.

Article 18 Notice of a meeting of the Remuneration and Appraisal Committee specifying the time, venue and matters to be considered shall be given to all members five days prior to the meeting.

In urgent circumstances where a meeting needs to be convened promptly, the above time requirement may be waived, and notice of the meeting together with relevant materials and information may be given at any time by telephone or other means, provided that the convener shall provide an explanation at the meeting.

Article 19 A meeting of the Remuneration and Appraisal Committee shall be validly convened only when more than two-thirds of the members are present. Each member shall have one vote. Resolutions of the meeting shall be passed by more than half of all members of the Remuneration and Appraisal Committee.

Article 20 The Remuneration and Appraisal Committee shall hold at least one meeting every year to formulate the director remuneration policies and to determine the remuneration packages for each director.

Article 21 Resolutions of the Remuneration and Appraisal Committee shall be made by show of hands, poll voting, or written communication. Meetings of the Remuneration and Appraisal Committee shall in principle be held in person. Provided that all participating members are able to fully communicate and express their views, meetings may, where necessary and in accordance with proper procedures, be held by video conference, telephone or other means, and participation in such manner shall be deemed as attendance in person at the relevant meeting.

Article 22 When necessary, the Remuneration and Appraisal Committee may invite the Company's directors, senior management, and other staff who are not members of the Remuneration and Appraisal Committee to attend meetings as non-voting participants.

Article 23 In performing its duties, the Remuneration and Appraisal Committee shall be supported by the relevant departments of the Company. Where necessary, the Remuneration and Appraisal Committee may engage independent professional intermediaries to provide professional advice for its decision-making, with the cost to be borne by the Company.

Article 24 Where a matter under discussion at a meeting of the Remuneration and Appraisal Committee involves a conflict of interest with a member of the Remuneration and Appraisal Committee, such member shall abstain from participation. A meeting may be convened provided that more than half of the members without a conflict of interest are present, and any resolution shall be passed by more than half of the members without a conflict of interest. Where the number of members without a conflict of interest attending the meeting is less than half of the total number of members without such conflict, the matter shall be submitted to the Board of Directors for consideration.

Article 25 The procedures for convening the Remuneration and Appraisal Committee meetings, voting methods, and resolutions passed at such meetings must comply with relevant laws, regulations, the Articles of Association, and these Terms of Reference.

Article 26 The Remuneration and Appraisal Committee meetings shall have minutes, and the attending members shall sign the meeting minutes. The meeting minutes shall be kept by the Board Secretary.

Article 27 Members of the Remuneration and Appraisal Committee shall attend meetings in person. Where a member is unable to attend the meeting in person for any reason, such member shall review the meeting materials in advance, form a clear opinion, and authorize another member in writing to attend on his or her behalf. However, independent director members may not authorize non-independent director members to attend meetings on their behalf.

Article 28 Unless required by statutory reasons or compulsory orders of competent authorities, members and other relevant personnel attending the meeting shall maintain confidentiality regarding the matters discussed at the meeting. Prior to the approval and public disclosure of such matters by the shareholders' meeting or the Board of Directors, no information relating to the meeting shall be disclosed to any person without authorization.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 29 These Terms of Reference, upon approval by resolution of the Board of Directors, shall become effective and implemented from the date on which the Company's issuance of H Shares is filed with the China Securities Regulatory Commission and the H Shares are listed and commence trading on The Stock Exchange of Hong Kong Limited. Upon the effective date of these Terms of Reference, the Company's previous Terms of Reference of the Remuneration and Appraisal Committee of the Board of Directors shall automatically lapse.

Article 30 The terms “more than” and “at least” as used in these Terms of Reference include the stated number.

Article 31 Unless otherwise expressly provided by applicable laws, administrative regulations or the securities regulatory rules of the place where the Company’s shares are listed, the term “independent director” referred to in these Terms of Reference shall have the same meaning as “independent non-executive director” under the Listing Rules.

Article 32 Matters not covered in these Terms of Reference shall be governed by the relevant provisions of applicable national laws and regulations, normative documents, the securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association. Where these Terms of Reference are inconsistent with any applicable laws, regulations, normative documents, the securities regulatory rules of the place where the Company’s shares are listed, or the Articles of Association, the provisions of such laws, regulations, normative documents, securities regulatory rules and the Articles of Association shall prevail. Where these Terms of Reference conflict with any laws, regulations or normative documents promulgated by the State in the future, the securities regulatory rules of the place where the Company’s shares are listed, or the Articles of Association as amended in accordance with lawful procedures, the relevant provisions of such laws, regulations, normative documents, securities regulatory rules and the Articles of Association shall prevail, and these Terms of Reference shall be amended accordingly without delay and submitted to the Board of Directors for consideration and approval.

Article 33 The Remuneration and Appraisal Committee shall make its Terms of Reference publicly available on the Company’s website and the website of The Stock Exchange of Hong Kong Limited, explaining its role and the authority delegated to it by the Board of Directors.

Article 34 In the event of any discrepancy between the English and Chinese versions of these Terms of Reference, the Chinese version shall prevail.

Article 35 The right of interpretation of these Terms of Reference shall vest in the Board of Directors.

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