

Direct Drive Tech Limited
本末動力(北京)科技股份有限公司

Terms of Reference of the Remuneration and Appraisal Committee

Chapter 1 General Provisions

Article 1 To further establish and improve the remuneration and appraisal management system of Direct Drive Tech Limited (the “**Company**”) and enhance its corporate governance structure, pursuant to the Company Law of the People’s Republic of China (the “**Company Law**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), and the Articles of Association of Direct Drive Tech Limited (the “**Articles of Association**”) applicable upon completion of the Company’s overseas public offering and listing, and in accordance with a resolution of the Board, the Company has established the Remuneration and Appraisal Committee of the Board and, taking into account the Company’s actual circumstances, formulated these Terms of Reference of the Remuneration and Appraisal Committee of the Board of Direct Drive Tech Limited (the “**Terms of Reference**”).

Article 2 The Remuneration and Appraisal Committee is a specialized committee established under the Board. Its principal responsibilities are to formulate appraisal criteria for Directors and senior management, to conduct appraisals in accordance with such criteria, to provide opinions and recommendations, and to formulate and review remuneration plans or proposals for the Directors and senior management of the Company. Specifically, the Remuneration and Appraisal Committee shall formulate and review remuneration plans or proposals for the chairman of the Board and the general manager of the Company. The Remuneration and Appraisal Committee may authorize the general manager of the Company to formulate and review remuneration plans or proposals for the other Directors and other members of senior management of the Company.

Article 3 For the purposes of these Terms of Reference, “Directors” means the directors of the Company, and “senior management” means the general manager, deputy general managers, secretary to the Board, chief financial officer, other members of senior management specified in the Articles of Association, and any other persons expressly appointed by the Board as members of senior management of the Company.

Chapter 2 Composition

Article 4 The Remuneration and Appraisal Committee shall comprise three Directors, a majority of whom shall be independent non-executive Directors.

Article 5 Members of the Remuneration and Appraisal Committee shall be nominated by the chairman of the Board or the Nomination Committee of the Board and elected by the Board with the approval of more than half of all Directors. Upon approval of a proposal for the election of a member, the newly elected member shall assume office immediately after the conclusion of the relevant Board meeting.

Article 6 Members of the Remuneration and Appraisal Committee shall be appointed and removed by the Board. The Remuneration and Appraisal Committee shall report its work to the Board from time to time.

Article 7 The Remuneration and Appraisal Committee shall have one convenor, who shall also serve as the chairman of the Committee. The chairman of the Committee shall be an independent non-executive Director appointed by the Board and shall be responsible for presiding over the work of the Committee. If the chairman of the Committee is unable or fails to perform his or her duties, at least half of the members shall jointly designate an independent non-executive Director to perform such duties on his or her behalf.

Article 8 The term of office of the Remuneration and Appraisal Committee shall be the same as that of the Board. A member may be re-elected upon the expiration of his or her term of office. If, during his or her term of office, a member ceases to serve as a Director of the Company, or a member who is required to be an independent non-executive Director ceases to satisfy the independence requirements prescribed by the Articles of Association and the Hong Kong Listing Rules, that member shall automatically cease to be qualified as a member of the Committee. A member of the Remuneration and Appraisal Committee may resign from the Committee before the expiration of his or her term of office by submitting a written resignation report to the Board. The resignation report shall include the necessary explanations of the reasons for the resignation and any matters that require the attention of the Board. After a member of the Remuneration and Appraisal Committee ceases to be qualified or is permitted to resign, the Board shall appoint a replacement to restore the required number of members in accordance with the applicable laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules and Articles 4 to 7 above. The term of office of a replacement member shall expire upon the expiration of his or her term of office as a Director or an independent non-executive Director. Before the expiration of a member's term of office, the member shall not be removed without cause unless any circumstance under which the member is disqualified from holding office as prescribed by the Company Law, the Articles of Association or the Hong Kong Listing Rules arises.

Chapter 3 Duties and Powers

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

- (1) making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- (2) reviewing and approving management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;
- (3) determining, under delegated responsibility from the Board, the remuneration packages of individual executive Directors and members of senior management, or making recommendations to the Board thereon, including benefits in kind, pension rights and compensation payments, including compensation for loss or termination of office or appointment;

- (4) making recommendations to the Board on the remuneration of non-executive Directors;
- (5) considering the remuneration paid by comparable companies, the time commitment and responsibilities involved, and the terms of employment for other positions within the Company;
- (6) reviewing and approving compensation payable to executive Directors and members of senior management for loss or termination of office or dismissal, to ensure that it is consistent with the relevant contractual terms or, if it is not consistent with such terms, is otherwise fair and reasonable and not excessive;
- (7) reviewing and approving compensation arrangements relating to the dismissal or removal of a Director for misconduct, to ensure that they are consistent with the relevant contractual terms or, if they are not consistent with such terms, are otherwise reasonable and appropriate;
- (8) ensuring that no Director or any of his or her associates is involved in determining his or her own remuneration, so as to preserve the independence and impartiality of the decision-making process;
- (9) formulating or amending equity incentive plans and employee share ownership plans, determining the grant of interests to participants and whether the conditions for exercising such interests have been satisfied, and reviewing and/or approving matters relating to share schemes as described in Chapter 17 of the Hong Kong Listing Rules;
- (10) considering arrangements under which Directors and members of senior management are to hold shares in subsidiaries proposed to be spun off;
- (11) handling other matters prescribed by laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, or authorized by the Board.

Article 10 Any remuneration plan or proposal put forward by the Remuneration and Appraisal Committee shall not prejudice the interests of shareholders. The Board shall have the right to reject any remuneration plan or proposal that prejudices the interests of shareholders.

Article 11 Any remuneration plan or proposal for the Company's Directors put forward by the Remuneration and Appraisal Committee shall, after obtaining the approval of the Board, be submitted to a shareholders' meeting for consideration and approval before implementation, if applicable. Any remuneration plan or proposal for the Company's senior management shall be submitted to the Board for approval. The Remuneration and Appraisal Committee shall be accountable to the Board, and its proposals shall be submitted to the Board for consideration. The relevant departments of the Company shall cooperate with the Remuneration and Appraisal Committee in its work and provide it with relevant materials. The Remuneration and Appraisal Committee shall be provided with sufficient resources to perform its duties.

Under the Hong Kong Listing Rules, the Directors' service contracts referred to above that require shareholders' approval include:

- (1) a contract with a term exceeding three years; or
- (2) a contract under which the Company is required to give at least one year's notice or pay compensation or make other payments equivalent to at least one year's remuneration in order to terminate the contract.

The Remuneration and Appraisal Committee shall express its opinion on any Directors' service contract referred to above that requires shareholders' approval and advise shareholders, excluding shareholders who are Directors with a material interest in such service contract and their associates, as to whether the terms of the contract are fair and reasonable, whether the contract is in the interests of the Company and its shareholders as a whole, and how they should vote.

Article 12 The Remuneration and Appraisal Committee shall make its terms of reference available on the websites of The Stock Exchange of Hong Kong Limited and the Company, explaining its role and the authority delegated to it by the Board.

Chapter 4 Work Procedures

Article 13 The Human Resources Department of the Company shall serve as the day-to-day administrative body of the Remuneration and Appraisal Committee. It shall be responsible for providing information relating to the Company's human resources and the persons subject to appraisal, preparing for meetings of the Remuneration and Appraisal Committee, and implementing the relevant resolutions of the Board and the Remuneration and Appraisal Committee.

Article 14 The Human Resources Department of the Company shall undertake the necessary preparatory work for the decision-making of the Remuneration and Appraisal Committee and provide the following information relating to the Company:

- (1) the Company's key financial indicators and its achievement of business objectives;
- (2) the scope of responsibilities assigned to the Company's Directors and members of senior management and their performance of their principal duties;
- (3) the achievement of the relevant performance indicators under the performance appraisal system for Directors and members of senior management;
- (4) the performance of Directors and members of senior management in business innovation and profit generation;
- (5) the relevant supporting calculations for formulating the Company's remuneration plans or proposals based on its performance;
- (6) maintaining regular working contact with any intermediary designated by the Remuneration and Appraisal Committee;

- (7) providing information on the Company's remuneration systems and their implementation as required by the Remuneration and Appraisal Committee.

The Remuneration and Appraisal Committee shall perform its principal duties under Article 9 of these Terms of Reference on the basis of the information provided by the Human Resources Department of the Company.

The chairman of the Remuneration and Appraisal Committee or, in his or her absence, another member of the Remuneration and Appraisal Committee, who must be an independent non-executive Director, shall attend the Company's annual shareholders' meeting and answer questions raised by shareholders concerning the activities and responsibilities of the Remuneration and Appraisal Committee.

Chapter 5 Rules of Procedure

Article 15 The Remuneration and Appraisal Committee shall hold at least one meeting each year. An extraordinary meeting of the Remuneration and Appraisal Committee may be convened when the chairman of the Committee considers it necessary, upon the proposal of at least half of the Committee members, or at the recommendation of the chairman of the Board.

Article 16 Meetings of the Remuneration and Appraisal Committee shall be convened by its chairman, who shall issue the notice of meeting. The notice and meeting materials shall be delivered to all members at least three days before the meeting, excluding the date of the meeting. The requirement regarding the advance notice period may be waived with the unanimous consent of all members.

Article 17 Meetings of the Remuneration and Appraisal Committee shall be presided over by the chairman of the Committee. If the chairman is unable to attend a meeting, he or she may appoint another independent non-executive Director to preside over the meeting.

Article 18 A meeting of the Remuneration and Appraisal Committee may be held only if at least two-thirds of its members are present, at least one of whom must be an independent non-executive Director. A member who is unable to attend may appoint another member in writing to attend and vote on his or her behalf. The written authorization shall state the name of the proxy, the matters in respect of which the proxy is authorized to act, the scope of authorization and the period of validity, be signed or sealed by the appointing member, and be submitted to the person presiding over the meeting no later than the commencement of voting at the meeting. A member who neither attends a meeting of the Remuneration and Appraisal Committee nor appoints a representative to attend shall be deemed to have waived his or her voting right at that meeting. Each member may act as proxy for no more than one other member. If a member who is an independent non-executive Director is genuinely unable to attend a meeting in person, he or she shall appoint another member who is an independent non-executive Director to attend on his or her behalf.

Any resolution adopted at a meeting must be approved by more than half of all members. The relevant resolutions or opinions shall be signed by the members of the Remuneration and Appraisal Committee attending the meeting. Each member shall have one vote and may vote “for” or “against” a resolution, or abstain from voting. In the event of an equality of votes for and against a resolution, the chairman of the Committee shall have a casting vote.

Article 19 Meetings of the Remuneration and Appraisal Committee may be held in person, by telephone conference, video conference, circulation of documents, facsimile, email, or other appropriate means.

Article 20 Directors, members of senior management and external advisers of the Company may be invited to attend meetings of the Remuneration and Appraisal Committee when necessary. Persons attending a meeting in a non-voting capacity may provide explanations or clarifications concerning the matters discussed at the meeting, but any person who is not a member of the Committee shall have no right to vote.

Article 21 The Company shall provide the Remuneration and Appraisal Committee with sufficient resources to perform its duties. The Company’s senior management and relevant departments shall cooperate with and support the Remuneration and Appraisal Committee, provide relevant information, and actively assist the Committee in its work. Where necessary, the Remuneration and Appraisal Committee may engage an independent professional adviser to provide professional advice to assist it in its decision-making, and the reasonable expenses incurred shall be borne by the Company.

Article 22 Where a meeting of the Remuneration and Appraisal Committee considers a proposal relating to a member of the Committee, the member concerned shall recuse himself or herself from the consideration of the proposal.

Article 23 The procedures for convening meetings of the Remuneration and Appraisal Committee, the methods of voting, and the remuneration policies and allocation proposals approved at such meetings must comply with the applicable laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules, the Articles of Association and these Terms of Reference.

Article 24 Detailed and complete minutes shall be kept for meetings of the Remuneration and Appraisal Committee, and the members attending a meeting shall sign the minutes. The minutes shall be properly kept by the secretary to the Board for a period of ten years during the existence of the Company. Draft and final versions of the minutes of each meeting of the Remuneration and Appraisal Committee shall be sent to all members of the Remuneration and Appraisal Committee within a reasonable time after the meeting, with the draft provided for their comments and the final version retained for record purposes. After being signed by the members of the Remuneration and Appraisal Committee attending the meeting, the minutes shall be circulated to all members of the Board.

The minutes shall be made available for inspection by any Director at any reasonable time upon reasonable notice. The minutes shall record in sufficient detail the matters considered and decisions reached at the meeting, including any concerns raised or dissenting views expressed by Directors. A resolution of the Remuneration and Appraisal Committee shall take effect after being signed by the members attending the meeting. No effective resolution of the Committee may be amended or modified other than in accordance with the lawful procedures prescribed by the applicable laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules, the Articles of Association and these Terms of Reference. The proposals approved and the voting results at a meeting of the Committee shall be reported to the Board in writing.

Article 25 The minutes of a meeting of the Remuneration and Appraisal Committee shall include at least the following: the date and place of the meeting and the name of the convenor; the names of the attendees, with any person attending on behalf of another person specifically identified; the agenda of the meeting; the key points raised by the members; the voting method and result for each resolution or proposal; and any other matters that should be explained and recorded in the minutes.

Article 26 The members attending a meeting and other persons present at the meeting shall be under an obligation to keep confidential the matters considered at the meeting and shall not disclose any relevant information without authorization, unless otherwise required by applicable laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules and/or regulatory authorities.

Chapter 6 Rules on Recusal

Article 27 Where a member of the Remuneration and Appraisal Committee, an immediate family member of such member, or any other enterprise controlled by such member or any of his or her immediate family members has a direct or indirect interest in any matter under consideration at a meeting, the member shall disclose to the Remuneration and Appraisal Committee, as soon as practicable, the nature and extent of such interest.

Article 28 In the circumstances described in the preceding Article, the interested member shall provide full particulars of the relevant circumstances at the meeting of the Remuneration and Appraisal Committee and expressly declare that he or she will recuse himself or herself from voting. Notwithstanding the foregoing, the interested member may participate in the vote if all the other members of the Remuneration and Appraisal Committee, having considered the matter, unanimously determine that such interest would not materially affect the matter to be voted upon. If the Board considers it inappropriate for the interested member referred to in the preceding paragraph to participate in the vote, the Board may revoke the voting results of the relevant proposal and request a re-vote by the non-interested members.

Article 29 The Remuneration and Appraisal Committee shall consider and vote on a proposal without counting any interested member towards the quorum. If, following the recusal of any interested member, the number of members of the Remuneration and Appraisal Committee present falls below the minimum quorum required for the meeting, all members, including the interested member, shall determine only procedural matters, including whether the proposal should be referred to the Board for consideration. The proposal shall thereafter be considered by the Board.

Article 30 The minutes and resolutions of the Remuneration and Appraisal Committee meeting shall state that any interested member was not counted towards the quorum and did not participate in the vote.

Chapter 7 Supplementary Provisions

Article 31 For the purposes of these Terms of Reference, references to “or more” shall include the stated figure, whereas references to “more than” shall exclude the stated figure.

Article 32 These Terms of Reference shall, upon consideration and approval by the Board, take effect on the date on which the H shares issued by the Company pursuant to its public offering are listed on The Stock Exchange of Hong Kong Limited.

Article 33 The power to amend and interpret these Terms of Reference shall be vested in the Board.

Article 34 Any matters not provided for in these Terms of Reference shall be governed by the applicable laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules and the Articles of Association. In the event of any conflict between these Terms of Reference and any applicable laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules, other applicable regulatory rules of the place where the Company’s shares are listed, or the Articles of Association, the latter shall prevail.