

RULES OF PROCEDURE FOR THE REMUNERATION AND APPRAISAL COMMITTEE OF THE BOARD OF DIRECTORS OF SHENZHEN HAN'S CNC TECHNOLOGY CO., LTD.

Chapter 1 General Provisions

Article 1 In order to standardize the operation of Shenzhen Han's CNC Technology Co., Ltd. (hereinafter referred to as the “**Company**”), establish the incentive and restraint mechanism for Directors and senior managements, and improve the corporate governance structure, the Company has established the Remuneration and Appraisal Committee of the Board and formulated the Rules of Procedure according to the Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as “**Hong Kong Listing Rules**”) and other laws, regulations and normative documents, relevant regulatory rules of the securities regulatory authorities and stock exchanges of the place where the Company's shares are listed (hereinafter collectively referred to as the “**securities regulatory authorities of the place where the Company's shares are listed**”) (hereinafter collectively referred to as the “**securities regulatory rules of the place where the Company's shares are listed**”), as well as the Articles of Association of Shenzhen Han's CNC Technology Co., Ltd. (hereinafter referred to as the “**Articles of Association**”).

Article 2 The Remuneration and Appraisal Committee (hereinafter referred to as the “**Committee**”) is a specialized body set up by the Board in accordance with the Articles of Association. It is primarily responsible for formulating performance evaluation standards for the Directors and senior management of the Company and carrying out such evaluation as well as determining and reviewing the remuneration policy and plans concerning the Directors and senior management. The Committee assumes responsibility to the Board and performs its duties in accordance with the Articles of Association and the authorization of the Board. Proposals from the Committee shall be submitted to the Board for review and decision.

Chapter 2 Composition

- Article 3** The Committee shall be composed of 3 Directors (including 2 independent Directors), who are elected by the Board.
- Article 4** Shareholders representing more than one tenth of the voting rights, more than one third of Directors and more than one second of independent Directors shall have the right to nominate candidates for the Committee. Committee members shall be elected by more than half of the votes of all Directors, and upon approval of the resolution of election of the members, the newly appointed members shall assume office immediately after the conclusion of the Board meeting.
- Article 5** The Committee shall have a convener, who shall be an independent Director and shall be elected by the Committee.
- Article 6** The term of office of the Committee coincides with that of the Board and the members may serve consecutive terms if re-elected upon the expiration of their terms. During his/her term of office, if any member ceases to serve as a Director of the Company or any member who should be an independent Director no longer possesses the independence required by the Articles of Association, such member shall automatically lose the membership of the Committee, and the Board shall fill the vacancy in accordance with the provisions of the Rules of Procedure.
- Article 7** The Committee members can submit their resignation to the Board before the expiration of their term. The resignation report shall provide necessary explanations on the reasons for resignation and matters that need to be paid attention to by the Board of the Company.
- Article 8** In the event that the proportion of independent Directors on the Committee does not comply with the Rules of Procedure due to the resignation or disappointment of an independent Director, the Company shall complete the by-election within 60 days from the date of occurrence of the aforementioned facts.
- Article 9** The provisions of the Company Law and the Articles of Association concerning the duties of Directors apply to the Committee members.

Chapter 3 Duties and Authorities

Article 10 The Committee is mainly responsible for:

- (I) Formulating job responsibility of the Directors and senior management of the Company;
- (II) Formulating performance appraisal system and performance appraisal target of the Directors and senior management of the Company and making proposals to the Board about the remuneration policy and structure for all Directors and senior management personnel of the Company and the development of remuneration policy on establishing a formal and transparent procedure;
- (III) Reviewing and approving the proposed remuneration of the management in accordance with the corporate policies and objectives made by the Board;
- (IV) With delegated responsibility of the Board, determining the remuneration packages of individual Directors and senior management (including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of office or appointment);
- (V) Making recommendations to the Board on the remuneration of independent Directors;
- (VI) Considering factors including the requirements of relevant laws and regulations, the remuneration paid by comparable companies, the time to be devoted by and responsibilities of Directors and the senior management, the employment conditions of other positions in the Company and whether the remuneration shall be set based on performance;
- (VII) Reviewing and approving the payment of compensation to executive Directors and senior management for loss or termination of employment or appointment so as to ensure that such compensation satisfies the contractual terms; if it fails to do so, the compensation must be fair and reasonable and no undue burden is placed on the Company;

- (VIII) Reviewing and approving the compensation arrangements in relation to the dismissal or removal of Directors as a result of misconduct so as to ensure that such arrangements are in compliance with the contractual terms, and in the case where the compensation arrangements are not in compliance with the contractual terms, ensuring that such compensation arrangements shall be fair and reasonable;
- (IX) Ensuring that no Director or any of his/her associates (as defined in the Hong Kong Listing Rules) is involved in determining his/her own remuneration;
- (X) Considering and/or approve matters relating to the share schemes as set out in Chapter 17 of the Hong Kong Listing Rules;
- (XI) In terms of the Company's equity incentive plan, exercising the following powers:
 - 1. To formulate equity incentive plans for Company's Directors and senior managers;
 - 2. Responsible for the management of the Company's Equity Incentive Plan;
 - 3. To review and inspect the qualification of grantees and conditions for granting and exercising of share options of the Company's Equity Incentive Plan;
- (XII) Other matters authorized by the Board and other matters stipulated in relevant laws, administrative regulations, departmental rules, and securities regulatory rules of the place where the Company's shares are listed.

Article 11

The Committee makes recommendations to the Board on the following matters:

- (I) Remuneration of executive Directors and senior management (including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of office or appointment) and remuneration packages of independent Directors;

- (II) Formulation or amendment of the Equity Incentive Plan (including the relevant share schemes as referred to in Chapter 17 of the Hong Kong Listing Rules), employee stock ownership plans, granting of rights and benefits to incentive recipients and fulfillment of the conditions for the exercise of rights and benefits;
- (III) Directors and senior management's arrangement of shareholding plans in subsidiaries that are to be spun off;
- (IV) Other matters required by laws, administrative regulations, securities regulatory rules of the place where the shares of the Company are listed, the Rules of Procedure and the Articles of Association.

If the Board does not adopt the recommendations of the Committee in full or in part, it shall record the opinions of the Committee and the specific reasons for not adopting them in the Board resolutions for disclosure.

Article 12 The Committee is accountable to the Board. The remuneration plan for Directors of the Company proposed by the Committee shall be submitted to the Board for approval and submitted to the shareholders' meeting for consideration and approval before implementation. The remuneration distribution plan for senior management of the Company shall be submitted to the Board for approval. The Board has the power to veto remuneration plans or programs that are detrimental to the interests of shareholders.

Article 13 Job descriptions, performance evaluation system and indicators formulated by the Committee shall be implemented after approval by the Board of the Company.

Article 14 The Company's Equity Incentive Plan formulated by the Committee shall be reviewed by the Board and submitted to shareholders' meeting of the Company for approval.

Chapter 4 Decision-making Procedures

Article 15 The Committee members have the right to access the following relevant information:

- (I) The Company's annual business plan, investment plan and business objectives;
- (II) The Company's periodic reports;

- (III) The Company's financial statements;
- (IV) The Company's various management systems;
- (V) The resolutions and minutes of the Company's shareholders' meeting, the Board meetings, and the manager's office;
- (VI) Other relevant materials.

Article 16 The procedures for appraising Directors and senior management members adopted by the Committee are as follows:

- (I) The Directors and senior management members of the Company shall report their work and make self-appraisals to the Committee;
- (II) The Committee shall carry out performance appraisal of the Directors and senior management members according to the performance appraisal standards and procedures;
- (III) A proposal on the amount of remuneration and method of reward for the Directors and senior management members based on the results of work performance appraisals and according to the remuneration distribution policies shall be made and, after a voting in its favor, shall be reported to the Board of the Company.

Article 17 When the Committee deems it necessary, it may hire an intermediary agency to provide professional consulting services, and the expenses incurred therefrom shall be borne by the Company.

Chapter 5 Rules of Procedure

Article 18 The Committee meets at least once a year, and the meeting is proposed by the Committee members as needed. For more than half of the independent Directors or more than one-third of all Directors, members of the audit Committee may request an extraordinary meeting; the convener shall not refuse the request of the above Directors and members to hold a meeting without justifiable reasons.

Article 19 Committee meetings are convened and presided over by the convener, who may designate other members to convene and preside over on his/her behalf. When the convener neither performs his/her duties nor appoints other members to perform his/her duties on his/her behalf, the remaining members may negotiate and elect one member to perform his/her duties on his/her behalf.

- Article 20** If the convener decides to convene a meeting, it shall notify the secretary of the Company's Board and the securities department to be responsible for preparations.
- Article 21** Committee meetings shall be notified 3 days before the meeting (including the date of notification and excluding the day of the meeting). With the unanimous consent of all the Committee members, the aforementioned notice period requirement may be waived.
- Committee meetings can be notified by fax, e-mail, telephone, or by personal or mail delivery. When quick notification methods such as telephone or e-mail are adopted, if no written objection is received within one day from the date of sending the notice, it will be deemed that the notified person has received the meeting notice. The notice of the meeting shall include at least the following:
- (I) The place and time of the meeting;
 - (II) Agenda of the meeting, matters to be discussed and related detailed information;
 - (III) Meeting contacts and contact details;
 - (IV) The date on which the notice was given.
- Article 22** Committee meetings shall be attended by members themselves. If members themselves cannot attend for some reason, they may entrust other members to attend on their behalf in writing. Members can only accept the entrustment of one other member at a time to exercise voting rights on their behalf. The independent Directors of the Committee shall attend the Committee meeting in person. If they are unable to attend the meeting in person for some reason, they shall review the meeting materials in advance to form clear opinions, and entrust other independent Directors in writing to attend on their behalf.
- Article 23** If a member fails to attend a Committee meeting or entrust a representative to attend, he/she shall be deemed to have waived his/her right to vote at that meeting. If a member fails to attend the meeting in person twice in a row and does not entrust other members to attend the meeting, it will be deemed as unable to perform his/her duties, and the convener shall recommend to the Board to replace him. If a member entrusts other members to attend the meeting and exercise voting rights on his/her behalf, he/she shall submit a power of attorney to the presiding officer of the meeting.

- Article 24** A power of attorney shall include at least the following:
- (I) The name of the principal;
 - (II) The name of the entrusted person;
 - (III) Agency entrustment matters;
 - (IV) Instructions on exercising voting rights on meeting topics (in favor, against, abstention) and an explanation of whether the entrusted person can vote according to his/her own wishes when no specific instructions are given;
 - (V) The principal's signature and date of signing.
- Article 25** Committee meetings shall be held only when more than two-thirds (inclusive) of the members are present. Each member has one vote; Resolutions made at the meeting must be approved by more than two-thirds of all members (inclusive) before they are passed. Members are responsible for their individual votes.
- Article 26** Committee meetings shall be held in the form of on-site meetings, with a show of hands or a poll. If it is inconvenient to vote on the spot under special circumstances, a meeting may be held by means of communication voting.
- Article 27** When the Committee convenes a meeting, it has the right to require the Company's Directors and senior managers to attend the meeting to report their work or accept questions. The above-mentioned personnel shall not refuse.
- Article 28** When a Committee meeting evaluates a member who is a senior management member of the Company, the member shall abstain from evaluation and voting, and relevant resolutions shall be approved by the other two members. After the members recuse themselves, if the quorum of the Committee is insufficient, relevant proposals shall be submitted to the Company's Board for review and consideration.
- Article 29** The convening procedures, voting methods and remuneration policies and distribution plans adopted at the meeting of the Committee must comply with relevant laws and regulations, the Articles of Association and the provisions of the Rules of Procedure.

Article 30 On-site meetings of the Committee shall have minutes, and members present at the meeting shall sign the minutes. Off-site meetings may be held without minutes. All documents of the Committee meeting shall be kept by the securities department as company files, and the retention period shall not be less than ten years. These documents are accessible for inquiry with the consent of the convener.

Article 31 Persons attending Committee meetings are obliged to keep confidentiality and are not allowed to disclose relevant meeting information without authorization.

Chapter 6 Supplementary Provisions

Article 32 Matters not covered in the Rules of Procedure shall be implemented in accordance with relevant national laws and regulations, relevant provisions of the regulatory authority of the place where the shares of the Company are listed, and the Articles of Association. If these rules of procedure are inconsistent with relevant laws and regulations, the relevant provisions of the regulatory authority of the place where the Company's shares are listed, and the Articles of Association, the laws and regulations, the relevant provisions of the regulatory authority of the place where the shares of the Company are listed, and the Articles of Association shall apply.

Article 33 The Rules of Procedure shall come into effect on the date when the H Shares issued by the Company are listed on The Stock Exchange of Hong Kong Limited after being reviewed and approved by the Board.

Article 34 The Board shall be responsible for the interpretation of the Rules of Procedure.

Shenzhen Han's CNC Technology Co., Ltd.