

# **Red Star Macalline Group Corporation Ltd.**

## **Working Rules of the Remuneration and Evaluation Committee under the Board of Directors**

(Revised in December 2022)

### **Chapter 1 General Provisions**

- Article 1** In order to further establish and improve the evaluation and remuneration management system for the Company's directors, and senior management and improve the Company's governance structure, the Company has established a Remuneration and Evaluation Committee under the Board and formulated these Rules in accordance with the *Company Law of the People's Republic of China*, *Articles of Association of Red Star Macalline Group Corporation Ltd.* (hereinafter referred to as "*Articles of Association*"), *Rules Governing the Listing of Stocks on Shanghai Stock Exchange* (hereinafter referred to as "*SSE Listing Rules*"), *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (hereinafter referred to as "*Hong Kong Listing Rules*") and other relevant provisions.
- Article 2** As a specialized working body under the Board, the Remuneration and Evaluation Committee is mainly responsible for formulating the standard for evaluation on directors and senior management, conducting evaluation and providing advice, and studying, formulating and examining the remuneration policy and scheme for directors and senior management of the Company.
- Article 3** Directors as mentioned in these Rules refer to the directors who receive salaries from the Company; senior management refer to general manager, deputy general manager, secretary to the Board and chief financial officer appointed by the Board, and other senior management recognized by the Board.

### **Chapter 2 Composition**

- Article 4** The Remuneration and Evaluation Committee shall be composed of at least three directors, more than half of whom shall be independent non – executive directors, with one of them serving as chairman.
- Article 5** The members of the Remuneration and Evaluation Committee (collectively "members") shall be nominated by the chairman of the Board, more than half of independent non-executive directors or one-third of all the directors, and decided by the Board.
- Article 6** The Remuneration and Evaluation Committee shall have one chairman whose position shall be taken by an independent non-executive director and who shall be responsible for convening and presiding over the committee meetings. The chairman shall be decided by the Board.

**Article 7** The term of office of members of the Remuneration and Evaluation Committee shall be the same as that of members of the Board. A member may serve consecutive terms if re-elected upon expiry of his/her term of office. Unless in circumstances as specified in the *Company Law, Articles of Association, SSE Listing Rules, Hong Kong Listing Rules* or these Rules where a person is prohibited from acting as a member, no member shall be removed before his/her term of office expires without cause. Any member who no longer serves as director of the Company during the term or any member who is an independent non-executive director and no longer meets relevant independence requirements as specified in the Hong Kong Listing Rules shall automatically be disqualified as a member, and the committee shall fill the vacancy in accordance with Articles 4-6 above.

**Article 8** Where the number of members of the Remuneration and Evaluation Committee falls below the required minimum number specified in Articles 4 and 6 of these Working Rules due to the member's resignation or dismissal or other reasons, the Board shall, according to the *SSE Listing Rules or Hong Kong Listing Rules*, immediately state relevant details and reasons by announcement, and fill the vacancy according to Articles 4-6 of these Working Rules within three months from the date when the number of members of the Remuneration and Evaluation Committee is less than the required minimum number. The term of office for the member filling the vacancy shall expire at the end of the term when he/she serves as director.

**Article 9** Under the Remuneration and Evaluation Committee, there is a work group responsible for providing information about the Company's operations and evaluatees, and preparing for the meetings of the Remuneration and Evaluation Committee and executing relevant resolutions of the Remuneration and Evaluation Committee.

### **Chapter 3 Duties and Authorities**

**Article 10** The main duties and authorities of the Remuneration and Evaluation Committee include:

- (I) Working out a remuneration plan or scheme in light of the principal ranges, duties and importance of the management posts of directors and senior management, and the remuneration levels of relevant posts of other relevant enterprises; the remuneration plan or scheme mainly includes but is not limited to performance evaluation standard and procedure, major evaluation system, principal award and punishment schemes and systems;
- (II) Making recommendations to the Board with respect to the overall remuneration policies and structures for the directors and senior management of the Company, and establishment of formal and transparent procedures for formulating the remuneration policies;
- (III) Reviewing and approving the management's remuneration proposals with reference to the Company's policies and goals stipulated by the Board;

(IV) Being responsible for one of the following:

1. Performing the duties as delegated by the Board to determinate the remuneration packages of individual executive directors and senior management; or
2. Making recommendations to the Board on the remuneration packages of individual executive directors and senior management.

The remuneration packages shall include non-monetary benefits, pension rights and compensation amounts (including the compensation for the loss or termination of office or appointment);

- (V) Making recommendations to the Board on the remuneration of non-executive directors (including independent non-executive directors);
- (VI) Considering salaries paid by companies of similar nature, time needed and responsibilities, and employment conditions for other posts in the group;
- (VII) Reviewing and approving the compensation that shall be paid to relevant executive directors and senior management for any loss or termination of their office or appointment so as to ensure the said compensation conforms to relevant contract terms; in case of any inconformity, the said compensation shall be fair, reasonable and not excessive;
- (VIII) Reviewing and approving the compensation arrangement in relation to dismissal or removal of relevant directors for their misconduct so as to ensure such arrangement conforms to relevant contract terms; in case of any inconformity, relevant compensation shall be reasonable and appropriate;
- (IX) Ensuring that any director or any of his/her associate (as defined in *Hong Kong Listing Rules*) does not participate in the determination of his/her own remuneration;
- (X) Examining how the directors and senior management of the Company fulfil their duties and evaluating their annual performance;
- (XI) to review and/or approve matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules.
- (XII) Supervising implementation of the remuneration and incentive system of the Company; and
- (XIII) Executing other duties and authorities specified in the relevant laws, regulations, normative documents, *SSE Listing Rules*, *Hong Kong Listing Rules*, the securities regulatory authority in Hong Kong, *Articles of Association* and the Rules of Procedure for Board Meetings of the Company, and as conferred by the Board.

- Article 11** The Remuneration and Evaluation Committee shall consult the chairman of the Board and/or CEO about the remuneration proposals for other executive directors;
- Article 12** The chairman of the Remuneration and Evaluation Committee shall attend the annual general meeting of the Company and answer the shareholders' questions in relation to the duties of the Remuneration and Evaluation Committee. If the chairman of the Remuneration and Evaluation Committee cannot attend the annual general meeting, another member or duly authorized representative shall attend the meeting.
- Article 13** The remuneration plan proposed by the Remuneration and Evaluation Committee for directors of the Company shall be subject to approval by the Board and adoption at the general meeting for implementation; the remuneration distribution scheme for senior management of the Company shall be subject to approval by the Board for implementation.
- Article 14** The Board shall have the right to reject the remuneration plan or scheme damaging the shareholders' interests.

#### **Chapter 4 Decision-making Procedures**

- Article 15** The work group under the Remuneration and Evaluation Committee shall be responsible for the preliminary preparatory works in relation to the decision-making of the Remuneration and Evaluation Committee, and provide information of the Company in relevant aspects:
- (I) Achievement of major financial targets and operation goals of the Company;
  - (II) Assigned scope of work and main duties of the Company's senior management;
  - (III) Achievement of the targets involved in the job performance evaluation system for directors and senior management;
  - (IV) Operating performance in relation to the business innovation and profit-creating capabilities of the directors and senior management;
  - (V) Relevant estimating basis for drafting the Company's remuneration distribution plan and method based on the performance of the Company.
- Article 16** Evaluation procedures of the Remuneration and Evaluation Committee for the directors and senior management:
- (I) The directors and senior management of the Company make work report to the Remuneration and Evaluation Committee and conduct self-evaluation;
  - (II) The Remuneration and Evaluation Committee conducts performance evaluation on the directors and senior management in accordance with the standard and procedure of performance evaluation;

(III) The Remuneration and Evaluation Committee proposes the amount and way of reward for the directors and senior management according to the result of the job performance evaluation and the policy of remuneration allocation, which shall be submitted to the Board after its approval by voting.

**Article 17** The senior management has the responsibility to provide enough information to the Remuneration and Evaluation Committee in time, so as to help it make informed decisions. The information provided shall be complete and reliable. The Remuneration and Evaluation Committee and its members may make further query, and independently contact the senior management when they deem necessary.

## **Chapter 5 Rules of Procedure**

**Article 18** Meetings of the Remuneration and Evaluation Committee include regular meetings and extraordinary meetings. Regular meetings shall be held at least once every year and extraordinary meetings shall be convened upon proposal by members of the Remuneration and Evaluation Committee according to specific conditions. All the members shall be notified five days prior to a regular meeting. The time of an extraordinary meeting shall be determined to ensure that all the members are notified and have reasonable time for preparation. The meetings shall be presided over by the chairman. If the chairman is unable to attend the meetings, he/she may appoint another member (an independent non-executive director) to preside over the meetings.

**Article 19** The meetings may be held on site and in the form of written circular. If a meeting is held on site, telephone, video, etc. may be used to facilitate the members in attending the meeting. Any member who attends the meeting via the abovementioned approaches shall be deemed as having attended the onsite meeting.

**Article 20** The meetings of the Remuneration and Evaluation Committee shall be held only if more than two-thirds of the members are present; each member shall be entitled to one vote; the resolutions made at the meetings shall be approved by more than half of all the members.

**Article 21** Voting at the meetings of the Remuneration and Evaluation Committee shall be conducted by a show of hands or by poll. Where any member cannot sign the resolutions made at a telephone meeting or video meeting in real time, the said member may orally give opinions first and responsively affix the written signature thereof, provided that there is no discrepancy between the opinions expressed by such member in completing the written resolutions and the opinions orally expressed by him/her at the meeting. Voting at an extraordinary meeting may also be conducted by means of communications.

**Article 22** Members of the remuneration work group may be asked to attend the meetings of the Remuneration and Evaluation Committee. If necessary, the directors, supervisors and senior management of the Company may be invited to attend the meetings.

- Article 23** If necessary, the Remuneration and Evaluation Committee may engage intermediaries to provide independent and professional advice for its decision – making, with the expenses to be borne by the Company.
- Article 24** In any of the following circumstances, the member of the Remuneration and Evaluation Committee shall make disclosure to the Remuneration and Evaluation Committee in advance, and abstain in the discussion and resolution of the Remuneration and Evaluation Committee in relation to relevant issues:
- (I) Evaluating the said member or discussing his/her remuneration;
  - (II) Evaluating the associate (as defined in the *Hong Kong Listing Rules*) of the said member or discussing his/her remuneration;
  - (III) Other circumstances where the said member has interests or may be affected in making objective and fair judgments.
- Article 25** The convening procedures and voting formula of the meetings of the Remuneration and Evaluation Committee and the remuneration policies and distribution plans adopted at the meetings shall comply with relevant laws, regulations, *SSE Listing Rules*, *Hong Kong Listing Rules*, other provisions of the securities regulatory authority in Hong Kong, the *Articles of Association* and these Rules.
- Article 26** Minutes shall be recorded for the meetings of the Remuneration and Evaluation Committee and shall be signed by the attending members; the minutes shall be kept by the secretary to the Board according to the Company’s file management system for at least 10 years. The minutes shall offer sufficient detail to serve as a record of matters deliberated and decisions reached at the meeting, including any doubts or objections of the members. After conclusion of the meeting, the initial and finalized meeting minutes shall be sent to all the members in due time, with the initial ones to be commented on by the members and the final ones to be recorded. If any director gives a reasonable notice, the Company shall give the said director access to such minutes within reasonable time.
- Article 27** Proposals and voting results adopted at the meetings of the Remuneration and Evaluation Committee shall be reported to the Board of the Company in writing, unless such reporting is in conflict with the general responsibilities of the Remuneration and Evaluation Committee or cannot be made according to laws, regulations or regulatory requirements (e.g. disclosure is restricted due to regulatory requirements).
- Article 28** Members present at the meetings shall keep confidential all matters discussed at the meetings. Unauthorized disclosure of the relevant information shall be prohibited.

## Chapter 6 Supplementary Provisions

- Article 29** The phrases “more than” and “at least” as referred to herein are inclusive while “majority” is exclusive.
- Article 30** These Rules shall be published on the Company’s website and the website of the stock exchanges of the places where the Company’s shares are listed.
- Article 31** These Rules and the amendment thereof shall be subject to consideration and approval of the Board of the Company before becoming effective.
- Article 32** Matters not covered herein shall be subject to relevant laws and regulations, *SSE Listing Rules, Hong Kong Listing Rules*, other provisions of the securities regulatory authorities in the places where the Company’s shares are listed and relevant provisions of the *Articles of Association*. If relevant provisions of these Rules conflict with relevant laws and regulations, *SSE Listing Rules, Hong Kong Listing Rules*, other provisions of the securities regulatory authorities in the places where Company’s shares are listed and the *Articles of Association* promulgated or amended thereafter, relevant laws and regulations, *SSE Listing Rules, Hong Kong Listing Rules*, other provisions of the securities regulatory authorities in the places where the Company’s shares are listed and the prevailing or amended *Articles of Association* shall apply.
- Article 33** The authority of formulation and interpretation of these Rules shall be vested in the Board of the Company.

*These Rules have been prepared in Chinese and translated to English. In case of any discrepancy between the Chinese and the English versions of these Rules, the Chinese version shall prevail.*