Befar Group Co., Ltd

Terms of Reference for the Remuneration and Performance Appraisal Committee of the Board of Directors

CHAPTER I GENERAL PROVISIONS

Article 1 In order to further establish and improve the performance appraisal and remuneration management system for Directors (non-independent Directors) and senior management of the Company and improve the corporate governance structure, the Company hereby establishes the Remuneration and Performance Appraisal Committee of the Board and formulates these Terms of Reference in accordance with the Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Articles of Association, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the Hong Kong Listing Rules), and other relevant regulations.

Article 2 The Remuneration and Performance Appraisal Committee is a specialized working body established by the Board, primarily responsible for formulating the appraisal criteria for the Directors and senior management of the Company and conducting appraisal thereof, and formulating and reviewing the remuneration policies and plans of the Directors and senior management of the Company, and making recommendations to the Board on matters stipulated by laws and regulations and the securities regulatory rules of the place where the Company's shares are listed.

Article 3 Directors as referred to herein shall refer to the chairman of the Board and Directors who are entitled to remuneration from the Company, while the senior management shall refer to the general manger (president), deputy general manager (vice president), secretary of the Board, chief financial officer and other senior management of the Company proposed by general manager to the Board of Directors for approval.

CHAPTER II COMPOSITION

Article 4 The Remuneration and Performance Appraisal Committee shall consist of three to seven Directors, the majority of whom shall be independent Directors.

Article 5 Members of the Remuneration and Performance Appraisal Committee shall be nominated by the chairman of the Board, and the election of members shall be approved by a majority of all Directors.

Article 6 The Remuneration and Performance Appraisal Committee shall have one convener, who shall be an independent Director. The convener shall be responsible for taking charge of the work of the Committee. The convener shall be elected among members and approved by the Board.

Article 7 The term of office of the Remuneration and Performance Appraisal Committee shall be consistent with that of the Board. A member shall be eligible for re-election upon the expiry of his/her term of office. If any member no longer holds the position as a Director the Company during his/her term of office, he/she shall automatically lose his/her position as a member, and the vacancy shall be filled by the Board in accordance with the provisions of Articles 4 to 6 above.

Article 8 The Remuneration and Performance Appraisal Committee has established an appraisal team, which is responsible for providing relevant information on the Company's operations and relevant information on the appraised personnel, preparing meetings of the Remuneration and Performance Appraisal Committee and implementing relevant resolutions of the Remuneration and Performance Appraisal Committee.

CHAPTER III DUTIES AND AUTHORITIES

Article 9 The Remuneration and Performance Appraisal Committee shall be responsible for formulating the appraisal criteria for the Directors and senior management of the Company and conducting appraisal thereof, and formulating and reviewing the remuneration policies and plans of the Directors and senior management, and making recommendations to the Board on the following matters:

(I) making recommendations to the Board on the policy and structure for the remuneration of all Directors and senior management, and on the establishment of a formal and transparent procedure for formulating the remuneration policy;

(II) reviewing and approving the remuneration proposals of the management in light of the corporate policies and objectives set by the Board;

(III) determining the remuneration packages of individual executive Directors and senior management by the Board as delegated responsibility; or making recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This shall include non-monetary benefits, pension rights and the amount of compensation (including compensation for loss or termination of office or appointment);

(IV) making recommendations to the Board on the remuneration of non-executive Directors;

(V) considering remuneration paid by comparable companies, the time commitment and responsibilities required, and the terms of employment with other positions within the Group;

(VI) reviewing and approving compensation payable to executive Directors and senior management for loss or termination of office or appointment, to ensure that such compensation is consistent with the contractual terms; and if not consistent, the compensation shall be fair and reasonable and not excessive;

(VII) reviewing and approving the compensation arrangements relating to the dismissal or removal of a Director for misconduct, to ensure that such arrangements are consistent with the contractual terms; and if not consistent, the compensation shall also be reasonable and appropriate;

(VIII) ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration;

(IX) reviewing and/or approving matters relating to share schemes as referred to in Chapter 17 of the Hong Kong Listing Rules, formulating or amending equity incentive plans and employee share ownership plans, and determining the conditions for the authorized benefits and exercise of such benefits by the incentive participants;

(X) approving the shareholding arrangements of Directors and senior management in any proposed spin-off subsidiaries;

(XI) other matters stipulated in laws and regulations, relevant provisions of the stock exchange and the Articles of Association.

Article 10 For the recommendations of the Remuneration and Performance Appraisal Committee not adopted or fully adopted by the Board, the Board shall record the opinion of the Remuneration and Performance Appraisal Committee and the specific reasons for its non-adoption in Board resolutions, and disclose the same.

Article 11 The remuneration plan of the Directors of the Company proposed by the Remuneration and Performance Appraisal Committee shall be submitted to the Board for approval and then to the Shareholders' meeting for consideration and approval before implementation; the remuneration distribution plan of the Company's senior management shall be submitted to the Board for approval.

CHAPTER IV DECISION-MAKING PROCEDURES

Article 12 The assessment team of the Remuneration and Performance Appraisal Committee shall be responsible for undertaking the preparatory work prior to the Committee's decision-making and providing the Company's relevant information in the following aspects:

(I) providing the Company's key financial indicators and the completion status of operating targets;

(II) providing the scope of work and primary responsibilities of the senior management in their respective areas;

(III) providing the completion of the indicators involved in the job performance appraisal system for Directors and senior management;

(IV) providing the operational performance of Directors and senior management in terms of business innovation capability and profit-generating capability;

(V) providing the relevant calculation basis for formulating the Company's remuneration distribution plan and distribution methodology based on the Company's performance.

Article 13 Appraisal procedures of the Remuneration and Performance Appraisal Committee on Directors and senior management:

(I) Directors and senior management of the Company shall present their performance reports and self-assessments to the Remuneration and Performance Appraisal Committee of the Board;

(II) The Remuneration and Performance Appraisal Committee shall conduct performance evaluations of the Directors and senior management in accordance with the performance evaluation criteria and procedures;

(III) Based on the results of the position performance evaluations and the remuneration distribution policies, the Committee shall propose the remuneration amounts and incentive methods for the Directors and senior management, and after approval by vote, shall submit them to the Board of Directors of the Company.

CHAPTER V RULES OF PROCEDURES

Article 14 Meetings of the Remuneration and Performance Appraisal Committee shall be convened upon three days' prior notice to all members. Under emergency circumstances, a meeting may be convened without regard to the aforesaid notice period, provided that at least two-thirds of the members are present. The meeting shall be presided over by the convener. In the event that the convener is unable to attend, he/she may authorise another member (who shall be an independent Director) to preside over the meeting.

Article 15 Meetings of the Remuneration and Performance Appraisal Committee shall be held only when attended by at least two-thirds of the members. On the principle of on-site convening, on the premise of ensuring that all participating members can fully communicate and express their opinions, it can be convened by video, telephone or other means according to the procedures when necessary. Each member shall have one vote. Resolutions made at the meeting must be passed by a majority of all members.

Article 16 The voting methods of the meetings of the Remuneration and Performance Appraisal Committee shall be by show of hands, by poll, or by correspondence.

Article 17 Directors and senior management of the Company may be invited to attend the meetings of the Remuneration and Performance Appraisal Committee when necessary.

Article 18 If necessary, the Remuneration and Performance Appraisal Committee may engage an intermediary to provide professional advice on its decision-making at the Company's expense.

Article 19 In the event that the discussion at a meeting of the Remuneration and Performance Appraisal Committee is related to a member of the committee, such member shall be absent from such discussion.

Article 20 The convening procedure and voting method of the meeting of the Remuneration and Performance Appraisal Committee and the remuneration policies and distribution plans passed at such meetings shall comply with the relevant laws, regulations, the Articles of Association and these Terms of Reference.

Article 21 The Remuneration and Performance Appraisal Committee shall keep minutes of its meetings. The minutes shall be signed by committee members attending the meeting and shall be kept by the working group of the Company's Remuneration and Performance Appraisal Committee, and the records shall be kept for a period of 10 years.

Article 22 The resolutions passed and poll results of a meeting of the Remuneration and Performance Appraisal Committee shall be submitted to the Board of the Company in writing.

Article 23 All members of the Committee present at the meeting shall be obliged to keep all matters discussed at the meeting confidential and shall not disclose the relevant information without authorization.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 24 These Terms of Reference shall, upon approval by a resolution of the Board, take effect from the date on which the Company's H shares offered in the initial public offering are listed on The Stock Exchange of Hong Kong Limited.

Article 25 For any matters not covered by these Terms of Reference, they shall be executed in accordance with the relevant PRC laws and regulations and the Articles of Association. In the event that these Terms of reference contravene any future PRC laws and regulations to be promulgated, and the Articles of Association amended through valid procedure, then the relevant PRC laws and regulations, and the Articles of Association shall prevail.

Article 26 The right to interpret these Terms of Reference shall reside in the Board of the Company.

Article 27 For the purposes of these Terms of Reference, the term "independent Director" refers to the same concept and shall have the same meaning as "independent non-executive Director" under the Hong Kong Listing Rules.