



**Huitongda Network Co., Ltd.**

**匯通達網絡股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 9878)**

## **TERMS OF REFERENCE OF THE REMUNERATION AND APPRAISAL COMMITTEE OF THE BOARD**

### **CHAPTER 1 GENERAL**

**Article 1** 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 "**Listing Rules**"), the Code on Corporate Governance under Appendix 14 to the Listing Rules and other relevant laws, regulations and normative documents, and the Articles of Association of Huitongda Network Co., Ltd. applicable after the issuance of H shares (the "**Articles of Association**"), Huitongda Network Co., Ltd. (the "**Company**") has, according to the resolution of the Board, decided to set up a remuneration and appraisal committee of the Board, and hereby formulated the Terms of Reference of the Remuneration and Appraisal Committee of the Board of Huitongda Network Co., Ltd. (the "**Terms of Reference**") by taking into account the Company's actual conditions, in an effort to further establish and enhance the Company's remuneration and appraisal system and optimize the corporate governance structure of the Company.

**Article 2** The Remuneration and Appraisal Committee is a specialised working body under the Board, which is principally responsible for formulating the appraisal standards and conducting appraisal for the directors and senior management of the Company, as well as giving comments and suggestions, and responsible for setting up and reviewing the remuneration policy and plans for the same.

**Article 3** Directors as mentioned in the Terms of Reference shall refer to the directors who receive remuneration from the Company, and the senior management shall refer to the general manager, deputy general manager, the secretary to the Board, chief financial officer and other senior management personnel employed by the Board. The "general manager" as mentioned in the Terms of Reference shall refer to the "manager" mentioned in the Company Law.

### **CHAPTER 2 COMPOSITION**

**Article 4** The Remuneration and Appraisal Committee shall comprise at least three directors and the total number of members of the Remuneration and Appraisal Committee shall be an odd number with more than half being the independent non-executive directors.

**Article 5** The members of the Remuneration and Appraisal Committee shall be nominated by the Chairman of the Board or the Nomination Committee of the Board, and shall be elected by more than half of the total directors of the Board. Upon the approval of the nomination proposal by the Board, a newly-appointed member shall commence his/her term of office immediately after the conclusion of the meeting of the Board.

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

**Article 7** The Remuneration and Appraisal Committee shall have a convener, or chairman of the Committee, who shall be an independent non-executive director. The chairman of the Committee shall be appointed by the Board and shall oversee the operation of the Committee. Where the chairman of the Committee is unable to or fails to discharge the duty, an independent non-executive director shall be elected by at least one half of the members of the Committee to act in his/her stead.

**Article 8** The term of office of the Remuneration and Appraisal Committee shall be consistent with that of the Board. Each member of the Committee shall be eligible for re-election upon completion of his/her term of office. During his/her term of office, if any Committee members cease to be directors of the Company, or any Committee members as independent non-executive directors cease to have the independence as required under the Articles of Association and the Listing Rules, his/her membership in the Remuneration and Appraisal Committee shall lapse automatically. A member of the Remuneration and Appraisal Committee may submit his/her resignation report in writing to the Board prior to the expiry of his/her term of office to resign from his/her existing position. The resignation report shall contain such reasons for resignation and matters which need the attention of the Board as necessary. Upon the loss of qualification or permission to resign, the position(s) vacated by such member(s) shall be filled by the Board according to the relevant laws, regulations, normative documents and the provisions of Articles 4 to 7 as set forth in the above. The substitute member(s) shall hold office until the expiration of his/her term of office as a director or an independent non-executive director. A member of the Committee shall not, before the expiry of his/her term of office, be relieved of his/her duties without cause except for the situations specified in the Company Law, the Articles of Association or the Listing Rules.

### **CHAPTER 3 DUTIES AND AUTHORITIES**

**Article 9** The main duties and authorities of the Remuneration and Appraisal Committee are:

- (1) to formulate remuneration policy, make recommendations to the Board and oversee the implementation in respect of the overall remuneration policy and structure of the directors and senior management of the Company (including but not limited to the performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty plans and systems, etc.) and setting up formal and transparent procedures, based on the major scope, responsibility and importance of the respective positions of the directors and senior management and the remuneration of the same position paid by comparable companies;
- (2) to review and approve proposals on management's remuneration according to the corporate goals and objectives developed by the Board;
- (3) to examine the performance of duties by the directors and senior management of the Company, conduct annual performance appraisals of them, and formulate annual incentives schemes which shall be submitted to the Board for approval and implementation;
- (4) to supervise the implementation of the remuneration system of the Company;
- (5) to recommend to the Board the remuneration packages offered to individual executive directors and senior management, including benefits in kind, pension and compensation (including compensation paid for loss or termination of office or appointment), and to recommend to the Board concerning remuneration offered to non-executive directors;

- (6) to consult the chairman of the Board or the general manager in respect to the compensation proposed for other executive directors. The Remuneration and Appraisal Committee shall seek independent professional opinions if necessary;
- (7) to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the group;
- (8) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (9) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (10) to ensure that any directors or his/her associate(s), as defined in the Listing Rules, shall not participate in determining his/her own remuneration, and that the remuneration of non-executive directors who are also members of the Remuneration and Appraisal Committee shall be determined by other members of the Remuneration and Appraisal Committee;
- (11) to review incentives schemes and directors' service contracts;
- (12) to review and approve matters relating to share schemes under Chapter 17 of the Listing Rules; and
- (13) other matters required by laws, regulations, department rules, relevant regulatory rules of the securities regulatory authorities and the stock exchanges in the place where the Company's securities are listed and authorized by the Board.

**Article 10** The remuneration plans or schemes proposed by the Remuneration and Appraisal Committee shall not prejudice the interests of the shareholders, the Board shall have the right to reject any remuneration plan or scheme that prejudice the interests of the shareholders.

**Article 11** The remuneration plans or schemes for the directors and supervisors of the Company proposed by the Remuneration and Appraisal Committee shall be approved by the Board and submitted to a general meeting for consideration and approval before implementation (if applicable); and the remuneration plans or schemes for senior management of the Company shall be approved by the Board. The Remuneration and Appraisal Committee shall be accountable to the Board and the proposals of the Committee shall be submitted to the Board for consideration. Relevant departments of the Company shall be obligated to cooperate with the Remuneration and Appraisal Committee and provide relevant materials. The Remuneration and Appraisal Committee shall be provided with sufficient resources to carry out its duties.

In accordance with the Listing Rules, the above service contracts of directors or supervisors, which are subject to the shareholders' approval, include:

- (1) service contracts with a term of more than three years; or
- (2) contracts which may not be terminated by the Company unless a more than one year's notice is given or compensation or other payments amounting to more than one year's emoluments are made.

The Remuneration and Appraisal Committee shall comment on the above service contracts for directors or supervisors which are subject to the shareholders' approval, and notify shareholders that whether relevant contract terms are fair and reasonable, whether relevant contracts are in the interest of the Company and its shareholders as a whole, and how shareholders (other than those shareholders who are directors or supervisors and have a material interest in such service contracts, as well as associates thereof) should vote and give opinions.

**Article 12** The Remuneration and Appraisal Committee shall make available its Terms of Reference explaining its role and the authority delegated to it by the Board on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")'s website and the Company's website.

#### **CHAPTER 4 WORKING PROCEDURES**

**Article 13** The human resources department of the Company is the day-to-day working body of the Remuneration and Appraisal Committee. It is responsible for providing information related to human resources and information related to the personnel to be assessed, preparing for the meetings of the Remuneration and Appraisal Committee and implementing relevant resolutions of the Board and the Remuneration and Appraisal Committee.

**Article 14** The human resources department of the Company is in charge of the preliminary preparation for the decision-making of the Remuneration and Appraisal Committee. It provides the following information of the Company:

- (1) information on fulfillment by the Company of the key financial goals and operation objectives;
- (2) scope of work and performance of main duties of directors and senior management of the Company;
- (3) extent to which the goals set out under the job performance appraisal system have been achieved by the directors and senior management;
- (4) operation performance driven by the business innovation capability and profit-making ability of directors and senior management;
- (5) relevant calculation basis for the preparation of remuneration plans or schemes based on the performance of the Company;
- (6) to maintain day-to-day working contact with intermediaries designated by the Remuneration and Appraisal Committee;
- (7) to provide information on the Company's remuneration systems and their implementation at the request of the Remuneration and Appraisal Committee.

The Remuneration and Appraisal Committee performs its major duties under Article 9 of the Terms of Reference based upon information supplied by the human resources department of the Company.

The chairman of the Remuneration and Appraisal Committee or (in his/her absence), another member of the Remuneration and Appraisal Committee (who shall be an independent non-executive director) shall attend the annual general meeting of the Company and respond to questions from shareholders regarding the activities and responsibilities of the Remuneration and Appraisal Committee.

## **CHAPTER 5 RULES OF PROCEDURES**

**Article 15** The meetings of the Remuneration and Appraisal Committee shall be convened at least once annually. The interim meetings of the Remuneration and Appraisal Committee may be convened by the chairman of the Remuneration and Appraisal Committee as he/she deems it necessary, upon the proposal of at least half of the members of the Committee or recommendation of the Chairman of the Board.

**Article 16** The meetings of the Remuneration and Appraisal Committee shall be convened by the chairman of the Committee. Notice of meeting, signed by the chairman of the Committee, and materials for the meeting shall be delivered to all members of the Committee three days (excluding the date of the meeting) prior to the meeting. Upon the unanimous consent of all members of the Committee, the requirement on such prior notice period may be exempted.

**Article 17** The meetings of the Remuneration and Appraisal Committee shall be presided over by the chairman of the Committee, in whose absence an independent non-executive director who is authorized by the chairman of the Committee may preside over the meeting in his/her stead.

**Article 18** The quorum for meetings of the Remuneration and Appraisal Committee shall be at least two-thirds of the total members of the Committee, one of whom shall be an independent non-executive director. Members who cannot attend a meeting may authorize, in writing, other members to attend and vote on their behalf. The form of proxy, containing the name of the proxy, the matters delegated, the scope of authorization and the validity period of such authorization, and signed or stamped by the appointer, shall be submitted to the chairman of the meeting no later than the time when voting takes place.

Resolutions proposed at a meeting shall be passed by the affirmative votes of more than half of the members of the Committee. The respective resolutions or opinions shall be signed by members of the Remuneration and Appraisal Committee present at such meeting. Each member of the Committee shall have one vote. Voting decisions include “For”, “Against” and “Abstention”. Where the respective votes for and against a resolution are equal in number, the chairman of the Committee shall be entitled to have a casting vote.

**Article 19** The meetings of the Remuneration and Appraisal Committee may be in such appropriate forms as on-site meetings, telephone conferences, video conferences, circulation of documents, fax, mail, etc..

**Article 20** Where necessary, directors, supervisors and senior management of the Company and external consultants may be invited to attend a meeting of the Remuneration and Appraisal Committee as observers. Persons attending the meeting can give explanations or clarifications on matters discussed at the meeting, but have no right to vote if he/she is not a member of the Committee.

**Article 21** The Company shall provide sufficient resources to the Remuneration and Appraisal Committee to perform its duties. The senior management and relevant departments of the Company shall support and cooperate with the Remuneration and Appraisal Committee, and provide such necessary information as required by the Remuneration and Appraisal Committee. Where necessary, the Remuneration and Appraisal Committee may engage independent agencies to provide professional opinions on its decision-making, at the cost of the Company as reasonably incurred therefrom.

**Article 22** A member of the Remuneration and Appraisal Committee shall avoid attending meetings of the Remuneration and Appraisal Committee for which he/she is the subject matter of the resolution.

**Article 23** The convening procedures, voting method and approved remuneration policies and allocation schemes of the meetings of the Remuneration and Appraisal Committee shall comply with relevant laws and regulations, Articles of Association of the Company and the Terms of Reference.

**Article 24** The minutes of meetings of the Remuneration and Appraisal Committee shall be prepared, on which members present at the meeting shall sign. The minutes of meetings of the Committee shall be kept by the secretary to the Board of the Company.

**Article 25** Resolutions passed by the Remuneration and Appraisal Committee and the voting results shall be reported in writing to the Board of the Company for its consideration.

**Article 26** Members present at meetings of the Committee, and those present as observers, shall owe a duty of confidentiality as regards matters discussed during such meetings. No unauthorised disclosure of such information shall be allowed, save as is otherwise stipulated under relevant laws, regulations and/or rules of regulatory bodies.

## **CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Article 27** “At least” as referred to in the Terms of Reference shall include the number, and the words “more than half” shall not include the number itself.

**Article 28** The Terms of Reference shall become effective and come into force upon approval by the Board. The original Terms of Reference shall automatically lapse upon the effective date of this Terms of Reference. Any amendment to or interpretation of the Terms of Reference shall be done by the Board.

**Article 29** Any matter not covered herein shall be implemented in accordance with the relevant laws and regulations, departmental rules, the Listing Rules and the Articles of Association of the Company. Where the Terms of Reference conflict with any relevant laws or regulations, departmental rules, relevant regulatory provisions of the place(s) where the shares of the Company are listed including the Listing Rules, or the Articles of Association of the Company, such relevant laws and regulations, departmental rules, relevant regulatory provisions of the place(s) where the shares of the Company are listed including the Listing Rules, and the Articles of Association of the Company shall prevail, in which case the Terms of Reference shall be amended forthwith and submitted to the Board for consideration and approval.