

KAI YUAN HOLDINGS LIMITED

**TERMS OF REFERENCE OF THE REMUNERATION
COMMITTEE OF THE BOARD OF DIRECTORS**



KAI YUAN HOLDINGS LIMITED

開源控股有限公司

(the “Company”)

(incorporated in Bermuda with limited liability)

(Stock Code: 1215)

(Adopted by the Company pursuant to the board resolution passed on 23 March 2012)

(Amended at the board meeting held on 27 March 2023)

Terms of reference of the Remuneration Committee (“Committee”) of the board of directors (“Board”) of the Company (which together with its subsidiaries, the “Group”)

1. Constitution

1.1 The Committee is established pursuant to a resolution passed by the Board at its meeting held on 21 March 2005.

2. Membership

2.1 Members of the Committee shall be appointed by the Board from among the members of the Board and shall consist of not less than three members and a majority of which should be independent non-executive directors of the Company.

2.2 The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director.

2.3 The secretary of the Committee shall also be appointed by the Board.

2.4 The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by resolutions passed by the Board.

3. Proceedings of the Committee

3.1 *Notice:*

- (a) Unless otherwise agreed by all Committee members, a meeting shall be called by at least fourteen (14) days' notice.
- (b) A Committee member may and, at the request of a Committee member, the secretary to the Committee shall, at any time summon a Committee meeting. Notice shall be given to each Committee member in person orally or in writing or by telephone or by facsimile transmission at the telephone number or facsimile number or address from time to time notified to the secretary by such Committee member or in such other manner as the Committee members may from time to time determine.
- (c) Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting.
- (d) Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the meeting. Supporting documents shall be sent to the members of the Committee and other attendees at least three (3) days in advance of the meeting (or other agreed period).

3.2 ***Quorum:*** The quorum of the Committee meeting shall be two members of the Committee who must be independent non-executive directors.

3.3 Meetings shall be held at least once every year to set policy on executive directors' remuneration and to fix the remuneration packages for all directors.

4. Overriding principles

4.1 Levels of remuneration should be sufficient to attract and retain directors to run the Company successfully without paying more than necessary.

4.2 No director should be involved in deciding his own remuneration.

4.3 The Committee should consult the chairman and/or chief executive of the Company about their remuneration proposals for other executive directors. The Committee should have access to independent professional advice if necessary.

5. Alternate Committee members

5.1 A Committee member may not appoint any alternate.

6. Authority of the Committee

6.1 The Committee may exercise the following powers:

- (a) to review any proposed service contract with any director or senior management before such contract is entered into and to make recommendation for any changes to the proposed terms of such contract;
- (b) to make recommendations regarding the remuneration, bonuses and welfare benefits of the executive directors and the senior management;
- (c) to request the Board to convene a shareholders' meeting for the purposes of revoking the appointment of any director and to dismiss any employees if there is evidence showing that the relevant director and/or employee has failed to discharge his duties properly;
- (d) to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, if necessary; and
- (e) to exercise such powers as the Committee may consider necessary and expedient so that their duties under section 7 below can be properly discharged.

6.2 The Committee should be provided with sufficient resources to perform its duties.

7. Duties

7.1 The duties of the Committee shall be:

- (a) to make recommendations to the Board on the Group's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payment, including any compensation payable for loss or termination of their office or appointment;
- (d) to make recommendations to the Board on the remuneration of non-executive directors;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (f) 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;
- (g) 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;
- (h) to ensure that no director or any of his associates (within the meaning prescribed to it under the Rules ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in force from time to time) is involved in deciding his own remuneration; and
- (i) to review and/or approve matters relating to share schemes adopted by the Company pursuant to Chapter 17 of the Listing Rules.

8. Reporting procedures

- 8.1 Full minutes of the meetings of the Committee should be kept by the secretary and shall be available for inspection by any members of the Committee or the Board at any reasonable time on reasonable notice. Draft and final versions of minutes of the meeting of the Committee or, as the case may be, written resolutions should be sent to all members of the Committee for their comment and records within a reasonable time after the meeting is held.
- 8.2 The chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.3 The chairman of the Committee, or in the absence of the chairman of the Committee, a member, or failing this his duly appointed delegate, shall attend the annual general meeting of the Company and make himself available to respond to any questions from the shareholders of the Company on the Committee's activities and responsibilities.

9. Continuing application of the bye-laws of the Company

The bye-laws of the Company regulating the meetings and proceedings of the directors of the Company so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

10. Powers of the Board

The Board may, subject to compliance with the bye-laws of the Company and the Listing Rules, amend, supplement and revoke these terms of reference provided that no amendments to and revocation of these terms of reference shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference had not been amended or revoked.

27 March 2023