

**BEIJING SINOHYTEC CO., LTD.  
TERMS OF REFERENCE OF  
THE REMUNERATION AND EVALUATION COMMITTEE UNDER  
THE BOARD OF DIRECTORS**

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## CHAPTER 1 GENERAL PROVISIONS

**Article 1** In order to regulate the remuneration and evaluation systems for the directors and senior management of Beijing SinoHytec Co., Ltd. (the “**Company**”), establish scientific and standardized incentives and constraints and further improve the corporate governance structure of the Company, these terms of reference are formulated in accordance with the Company Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), the Articles of Association of Beijing SinoHytec Co., Ltd. (the “**Articles**”) and relevant provisions.

**Article 2** The remuneration and evaluation committee under the board of directors (the “**Remuneration and Evaluation Committee**”) is the specialised working body established by the board of directors according to the Articles and is mainly responsible for researching, formulating and reviewing the remuneration policies and proposals for directors and senior management, as well as investigating the appraisal standards for directors and senior management and evaluating thereof.

**Article 3** The “senior management” herein refers to the general manager, deputy general manager, chief financial officer, secretary of the board appointed by the board of directors as well as the other senior management identified by the Company’s Articles.

## CHAPTER 2 COMPOSITION

**Article 4** The Remuneration and Evaluation Committee shall consist of three directors, with a majority of whom being independent non-executive directors.

**Article 5** The members of the Remuneration and Evaluation Committee shall be nominated by the chairman of the board of directors, not less than half of the independent non-executive directors or one-third of all directors, and shall be elected by the board of directors.

**Article 6** The Remuneration and Evaluation Committee shall have a chairman (convener) who shall be an independent non-executive director and preside over the Committee.

**Article 7** The term of office of the Remuneration and Evaluation Committee is consistent with that of the board of directors. After expiration of such term, a committee member may serve for another term upon re-election. If a committee member ceases to be a director of the Company or otherwise is unable to fulfill his/her duty as a director before the expiry of his/her term of office, or if any member who shall be an independent non-executive director no longer possesses such independence as required by relevant laws and regulations, the Hong Kong Listing Rules or the Articles, such member shall be disqualified as a member automatically and the board of directors shall appoint a new member to fill the vacancy pursuant to the aforesaid provisions of these terms of reference.

**Article 8** The general office of the board of directors shall be responsible for the daily work of the Remuneration and Evaluation Committee.

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

**Article 9** The Remuneration and Evaluation Committee is mainly responsible for:

- (I) Making recommendations to the board of directors regarding the comprehensive remuneration policies and structures for the directors and senior management and the establishment of compliant and transparent procedures for the formulation of remuneration policies;
- (II) Formulating remuneration plans or proposals according to the main scope, duties and significance of the positions of the directors and senior management, with reference to the remuneration levels for relevant positions of other relevant enterprises, the time commitment and duties assumed, and employment conditions for other positions within the Company, among others, including but not limited to equity incentive mechanism, performance appraisal standards, procedures and main appraisal system, as well as main schemes and systems for rewards and penalties;
- (III) Either:
  - 1. determining, with delegated responsibility from the board of directors, the remuneration packages of individual executive director and senior management;  
or
  - 2. making recommendations to the board of directors on the remuneration packages of individual executive director and senior management.

This shall include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

- (IV) Making recommendations to the board of directors on the remuneration packages of independent non-executive director;
- (V) Considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (VI) Reviewing the performance of duties by directors (non-independent non-executive directors) and senior management of the Company and conducting periodic evaluation on their performance, and making recommendations;

- (VII) Overseeing the implementation of the remuneration system of the Company;
- (VIII) Reviewing and approving the compensation payable to executive directors and senior management for loss or termination of their office or appointment to ensure that it is consistent with the contractual terms; such compensation shall be fair and reasonable and not excessive if it is not consistent with the contractual terms;
- (IX) Reviewing and approving compensation arrangements in relation to dismissal or removal of directors for misconduct to ensure that such arrangements are consistent with the contractual terms; such compensation shall be reasonable and appropriate if it is not consistent with the contractual terms;
- (X) Ensuring that no director or any of his/her associates is involved in deciding his/her own remuneration;
- (XI) Handling other matters authorized by the board of directors.

**Article 10** The Remuneration and Evaluation Committee is accountable to the board of directors, and the committee's proposals shall be submitted to the board of directors for review and consideration. The Remuneration and Evaluation Committee is responsible for setting appraisal standards for directors and senior management and evaluating thereof, formulating and reviewing the remuneration policies and proposals for directors and senior management, and making recommendations to the board of directors on:

- (I) The remuneration of directors and senior management;
- (II) Developing or changing equity incentive schemes and employee stock ownership plans, and conditions for incentive participants to be granted with and exercise interests;
- (III) The arrangement of stock ownership plans for subsidiaries to be spun off by directors and senior management;
- (IV) Other matters as required by laws, administrative regulations, the CSRC and the Articles.

In the event that the board of directors has not adopted or fully adopted the recommendations of the Remuneration and Evaluation Committee, it shall state the opinions of the Remuneration and Evaluation Committee and the specific reasons for not adopting in the resolutions of the board of directors, and disclose such matter.

**Article 11** The Remuneration and Evaluation Committee shall make available, on the websites of The Stock Exchange of Hong Kong Limited and of the Company, its terms of reference explaining its role and the authority delegated to it by the board of directors.

**Article 12** The Remuneration and Evaluation Committee shall be provided with sufficient resources to discharge its duties.

**Article 13** The Remuneration and Evaluation Committee should consult the chairman of the Remuneration and Evaluation Committee regarding the remuneration proposals for other executive directors. The Remuneration and Evaluation Committee shall have access to seek independent professional advice, if necessary.

#### **CHAPTER 4 PROCEDURES OF DECISION MAKING**

**Article 14** The Company shall provide relevant written information on the followings when the Remuneration and Evaluation Committee performs its duties:

- (I) Major financial indicators and fulfillment of operation objectives of the Company;
- (II) Responsibility and performance of the corresponding main duties of the senior management of the Company;
- (III) Fulfillment of indicators in performance evaluation of the directors and senior management of the Company;
- (IV) Operating performance in terms of business innovative and profit-making capability of directors and senior management of the Company;
- (V) Basis of formulating the remuneration plans and allocation methods of the Company;
- (VI) The appraisal advice from the board of supervisors.

**Article 15** Evaluation procedures of directors and senior management by the Remuneration and Evaluation Committee:

- (I) The Company's directors and senior management shall report on their work to the Remuneration and Evaluation Committee and conduct self-evaluation;
- (II) The Remuneration and Evaluation Committee shall evaluate the performance of the directors and senior management in accordance with the evaluation criteria and procedures;

- (III) The Remuneration and Evaluation Committee shall evaluate the innovative ability and business potential of the directors and senior management;
- (IV) The Remuneration and Evaluation Committee shall submit a recommendation report regarding the amount of remuneration and reward for directors and senior management, based on the performance evaluation results and remuneration allocation policies, which shall be submitted to the board of directors of the Company;
- (V) Special appraisalment shall be conducted before convening the board meeting when it involves a change of the board of directors and the appointment of senior management.

The remuneration plans of directors of the Company proposed by the Remuneration and Evaluation Committee shall be approved by the board of directors and passed at the shareholders' general meeting before implementation; the remuneration proposal of the Company's senior management shall be reported to the board of directors for approval.

## **CHAPTER 5 PROCEDURES OF MEETINGS**

**Article 16** The Remuneration and Evaluation Committee shall convene at least one meeting every year and notify all the members three days before convening the meeting; however, such time limit is not applicable to emergent cases. Where the chairman is unable to attend, he may delegate another independent non-executive director by a written power of attorney to preside over the meeting.

**Article 17** If a member cannot attend the meeting for any reason, he/she shall entrust other members as his/her proxy in writing to attend the meeting on his/her behalf. The power of attorney shall specify the name of the proxy, matters, authority and valid period, and shall be executed or sealed by the principal. The member attending the meeting as a proxy shall exercise the rights of the member as a principal within the scope of authorization.

**Article 18** Meetings of the Remuneration and Evaluation Committee shall not be held without the presence of more than two-thirds of the members. Each member shall have one vote. A resolution of the meeting shall be passed by a simple majority of the votes of all members.

**Article 19** The voting of the meeting shall be made by a show of hands or by written poll as determined by the chairman. An extraordinary meeting may be convened by way of correspondence.

**Article 20** Other directors, supervisors and senior management may be invited by the Remuneration and Evaluation Committee to observe its meetings when necessary. When a matter in connection with a member of the Remuneration and Evaluation Committee is considered at the meeting, the member concerned shall withdraw from such consideration and voting.

**Article 21** The Remuneration and Evaluation Committee shall collect the appraisal comments of the board of supervisors when conducting annual performance evaluation.

**Article 22** The Remuneration and Evaluation Committee may, if necessary, engage intermediary institutions to provide professional advice on its decisions at the expense of the Company.

**Article 23** The convening, voting and passage of relevant proposals and resolutions of the meetings of the Remuneration and Evaluation Committee shall be in compliance with the requirements under the applicable laws, regulations, the Articles and these terms of reference.

**Article 24** The relevant documents, plans, proposals, resolutions and minutes (records) of the Remuneration and Evaluation Committee shall be filed (for a term of ten years) by the secretary to the board, and relevant resolutions and minutes (records) shall be signed by attending members.

**Article 25** The resolutions passed by, and voting results of, the meetings of the Remuneration and Evaluation Committee shall be submitted in writing to the board of directors of the Company.

**Article 26** All members attending and persons observing the meeting shall keep the matters discussed at the meetings confidential, and shall not disclose the relevant information without authorization.

## **CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Article 27** These terms of reference shall become effective and be enforced upon consideration and approval by the board of directors. From the effective date of these terms of reference, the existing Terms of Reference of Remuneration and Evaluation Committee under the Board of Directors of Beijing SinoHytec Co., Ltd. shall lapse automatically.

**Article 28** Any matters not covered by these terms of reference shall be dealt with in accordance with the relevant provisions of the laws, regulations, the Hong Kong Listing Rules and the Articles. In the event that these terms of reference are in contravention with the laws, regulations, the Hong Kong Listing Rules promulgated in the future and the Articles amended by legal procedures, relevant provisions of laws, regulations, the Hong Kong Listing Rules and the Articles shall prevail, and these terms of reference shall be amended forthwith and submitted to the board of directors of the Company for approval.

**Article 29** The interpretation of these terms of reference shall be vested in the board of directors of the Company.

*NOTE:* If there is any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.