

CHINA ENERGY ENGINEERING CORPORATION LIMITED

TERMS OF REFERENCE OF THE REMUNERATION AND APPRAISAL COMMITTEE UNDER THE BOARD OF DIRECTORS

Chapter 1 General Provisions

Article 1 In order to establish and regulate the appraisal and remuneration systems for the directors and senior management of China Energy Engineering Corporation Limited (the “Company”), as well as the corporate governance structure of the Company, the Company hereby formulates these detailed rules (hereinafter referred to as these “Rules”) in accordance with the Company Law of the People’s Republic of China, Standards on Corporate Governance of Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association of China Energy Engineering Corporation Limited (hereinafter referred to as the “Articles”), the Procedural Rules of the Board Meetings of China Energy Engineering Corporation Limited and other relevant laws, regulations and regulatory documents.

Article 2 These Rules shall apply to the Company.

Article 3 Directors as mentioned in these Rules refer to all directors of the Company, while senior management members refer to the general manager, assistant managers, chief accountant and other senior management executives as specified in the Articles.

Chapter 2 Committee Composition

Article 4 The Committee shall consist of no less than 3 directors, and the majority of them shall be independent non-executive directors.

Article 5 Members of the Committee shall be nominated by the chairman of the Board or more than one half of independent directors or more than one-third of all directors for election by the Board and those nominees receiving affirmative votes from more than 50 percent of all directors are duly elected.

Article 6 The Committee shall have one chairperson who shall be an independent non-executive director. The chairperson shall be elected among the members and his/her appointment shall be considered and approved by the Board.

Article 7 The term of office of the Committee is the same as that of the Board, the terms of office of the Committee's members is the same as that of the directors. Members may be re-elected when their terms of office expire. Where any member does not serve as director of the Company during his or her term of office, he or she shall be disqualified as a member automatically.

A Committee member may not be removed without cause before the expiration of his or her term, unless there is any circumstance that the Committee member shall not be in office in accordance with the laws, regulations, the Articles or the provisions in these Rules.

Article 8 Committee members may tender their resignations to the Board before the expiration of their terms of office. To resign, a Committee member shall submit a written resignation to the Board and describe the reasons for his/her resignation and matters needed to be concerned by the Board therein.

Article 9 The Committee members may be changed within their terms of office if proposed by the chairman of the Board or approved after discussion by the Board.

Article 10 A member of the Remuneration and Appraisal Committee may hold membership of other special committees under the Board provided that he/she is able to perform his/her duties required by the Committee.

Article 11 If the number of the Committee members falls below the minimum number as provided herein, the Board shall arrange for making up the shortfall in accordance with the provisions in these Rules.

Article 12 With the coordination of the office of the Board, the human resource department of the Company, acting as the Committee's executive body, provides supports and services to the Committee and take on any jobs assigned by the Committee.

Chapter 3 Duties and Functions of the Committee

Article 13 The Committee is a specialized work organ set up by the Board. It is mainly responsible for formulating the appraisal standards and conducting appraisal for the Company's directors and senior management members; and setting up and reviewing the remuneration policy and packages for the same. The major duties and functions of the Committee shall be:

- (1) To make recommendations to the Board on the Company's remuneration policies and structure for all directors and senior management members and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (2) To consult with the chairman of the Board or general manager on the remuneration proposal of other executive directors. To determine the remuneration packages (including benefits in kind, pension rights and compensation payments, should including any compensation payable for loss or termination of their office or appointment) for all executive director and senior management members and to make recommendations to the Board on the remuneration packages for non-executive directors. The factors to be considered by the Committee include opinions issued by the State-owned Assets Supervision and Administration Commission of State Council, salaries paid by comparable companies, obligations and responsibilities and importance of the directors and senior management and the employment conditions elsewhere within the Group and desirability of performance based remuneration;
- (3) To formulate administrative measures for the performance appraisal of the senior management members of the Company, prepare evaluation plans and determine evaluation purposes;
- (4) To review and approve the remuneration packages by making reference to the corporate objectives approved from time to time by the Board of Directors;
- (5) To examine and approve compensation payable to executive directors and senior management members for any loss or termination of office or appointment to ensure that the compensation conforms to contractual terms or, in case the compensation does not conform to contractual terms, is fair and reasonable and no undue burden is placed on the Company;
- (6) To examine and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that the arrangements conform to contractual terms or, in case the arrangements do not conform to contractual terms, are otherwise reasonable and appropriate;
- (7) To supervise the performance appraisal and remuneration evaluation for the responsible persons of the internal departments, branches and subsidiaries of the Company (other than the responsible person of the internal audit department);

- (8) To ensure that no director or any of his/her associates is involved in deciding his/her own remuneration;
- (9) To examine the performance of duties by directors and senior management members and conduct annual performance appraisals of them;
- (10) To study the Company's policies and proposals in relation to salary, welfare, rewards and penalties, make recommendations to the Board and supervise the implementation of such policies and proposals;
- (11) To formulate or change equity incentive plans and employee share ownership plans, and to satisfy conditions for the grant and exercise of interests to the participants;
- (12) Directors and senior management arrange a stock ownership scheme in proposed spin-off subsidiaries;
- (13) The Committee may engage a professional institution for assistance while exercising the above duties and functions;
- (14) Other duties and functions assigned by the Board.

Article 14

Duties and functions of the chairperson of the Committee:

- (1) To convene and preside over regular and extraordinary meetings of the Committee;
- (2) To supervise and examine the work of the Committee;
- (3) To sign relevant documents of the Committee;
- (4) To report the work of the Committee to the Board;
- (5) Other duties required to be performed by the Board.

Article 15

The executive body of the Committee shall be responsible for the following preparatory works facilitating the decision making process of the Committee:

- (1) To provide data as to the Company's principal financial indicators and how the operating targets are met;
- (2) To provide terms of reference of senior management members and their major duties;

- (3) To give information on the performance evaluation indicators of each director and senior management member;
- (4) To present the estimates on which the corporate performance dependent compensation packages are based.

Article 16 The procedures for appraising directors and senior management adopted by the Committee include:

- (1) The Committee shall carry out performance assessments of the directors and senior management according to the performance assessment standards and procedures;
- (2) The Committee shall propose the remuneration amount and form of reward for the directors and senior management according to the performance appraisal results and remuneration distribution policy, and shall report the same to the Board of the Company after they are passed by voting.

Chapter 4 Meetings of the Committee

Article 17 Meetings of the Committee can be classified as regular meeting and extraordinary meeting.

Article 18 The Committee shall at least hold two regular meeting every year by issuing a 3 days' prior notice to all members. However, the above notice period may be exempted with the unanimous consent of all members.

Article 19 The Committee may convene extraordinary meetings when necessary. In any of the following circumstances, within 3 days of the occurrence of the relevant facts, the chairperson of the Committee shall issue a notice to convene a meeting:

- (1) in circumstances as deemed necessary by the Board;
- (2) in circumstances as deemed necessary by the chairperson of the Committee;
- (3) when proposed by 2 or more members of the Committee.

Article 20 The executive body of the Committee shall be responsible for delivering the notice of meeting in writing to each Committee member and relevant person invited to attend the meeting 3 days prior to the date of the meeting (except in special circumstances). The notice of meeting shall contain information on the method, time, venue, duration and agenda of the meeting, time of issuance of the notice and other relevant information.

Article 21 Upon receipt of the notice, each Committee member shall provide confirmation and any relevant feedback via a proper means (including but not limited to confirmation of attendance or absence and any other arrangement) in a timely manner.

Article 22 The members of the Committee shall attend the meeting in person. If a member is unable to attend the meeting in person, such member shall, by signing and submitting a letter of proxy, authorize another member of the Committee to attend and express opinion at the meeting on his/her behalf. Such letter of proxy shall expressly state the scope and term of the authorization. Each member can only be authorised by one member. If a member being an independent non-executive director is unable to attend a meeting for any reason, he/she should authorise another member being an independent non-executive director to attend on his/her behalf.

The member attending meeting on behalf of another member shall exercise the rights within the scope of authorization. If a member does not attend a meeting in person or authorize another member to attend such meeting on his/her behalf, nor does he/she submit any opinion in writing prior to the meeting, he/she shall be deemed to have waived his/her rights.

A member who is unable to attend a meeting in person may also exercise his/her rights by submitting in writing his/her opinion with respect to any matter on the meeting agenda, provided that such written opinion shall be submitted to the executive body of the Committee no later than the meeting.

Article 23 If any member does not attend a meeting in person or authorize another member to attend such meeting on his/her behalf, nor does he/she submit any opinion in writing prior to the meeting on two consecutive occasions, or if such member fails to attend in person three-fourths of all meetings of the Committee held during any year, such member shall be deemed incapable of performing the duties of the Committee, and the Board may change the members of the Committee in accordance with these Rules.

Article 24 A meeting of the Committee may only be validly held when at least two-thirds of members attend the meeting. A meeting shall be presided over by an chairperson of the Committee, who may appoint another member who is the independent non-executive director to do so on his/her behalf when he/she is unable to attend the meeting.

Chapter 5 Procedure for Conducting Business

Article 25 Each member shall have one vote. More than half of the votes of all members are required to pass a resolution. If as a result of avoidance, the Committee members cannot form an effective opinion, the relevant matters shall be directly considered by the Board.

Article 26 In general, the Committee shall physically meet on site to hold a meeting. Method of voting shall be show of hands or poll. Under special circumstances, on the premise that the members of the Committee are able to sufficiently express their opinion, with the consent of the chairperson of the Committee, meetings may be held by means of remote communication. Where a meeting is conducted by means of remote communication, the Committee members shall submit to the Committee their written opinions with respect to the matters to be discussed within the period prescribed by the notice of the meeting.

Article 27 The agenda items shall be discussed during the meeting of the Committee. The members of the Committee shall explicitly, independently and fully express their opinion based on their judgment. In the case of any different opinion, such different opinion shall be stated in the meeting minutes to be presented to the Board.

Article 28 The Committee may invite directors, supervisors, senior management members and relevant experts of the Company, external experts, scholars, intermediary agencies and other relevant personnel to attend the meeting without voting rights. Such personnel invited to attend the meeting shall give explanation and elaboration on any issues as required by any Committee member.

When necessary, the Committee may engage an intermediary institution to provide professional advice for its decision-making, and the expenses shall be borne by the Company.

Article 29 If a member of the Committee is interested in any matter being considered by the Committee, such member shall refrain from the discussion and decision of such matter.

Article 30 All personnel attending the meeting shall have the obligation to keep all matters discussed at the meeting confidential and shall not disclose any information relating thereto without authorization.

Chapter 6 Minutes and Summary of the Meetings

Article 31 Minutes shall be prepared for the meetings of the Committee. The minutes shall be prepared by the executive body of the Committee, which shall include the following information:

- (1) Serial number, method, date, venue, and name of the chairperson, of the meeting;
- (2) The attendance of members personally or by proxy;
- (3) Name and title of each attendee;
- (4) Matters to be considered at the meeting;
- (5) Main points made by the Committee members or other relevant attendees;
- (6) Name of the person taking minutes. The Committee members present at the meeting shall sign the minutes of the meeting of the Committee.

Article 32 After each meeting of the Committee, the executive body of the Committee shall prepare a meeting summary recording the considerations and discussions during the meeting. Copies of the meeting summary shall be submitted to the Board of the Company and sent to the members of the Committee, secretary of the Board, the human resources department of the Company and other relevant departments and personnel.

Article 33 Meeting minutes, meeting summary, letters of proxy, written opinions of the members of the Committee and other materials of the meeting shall be handled by the office of the Board in accordance with relevant requirements.

Chapter 7 Supplementary Provisions

Article 34 Unless otherwise stated, terms used in these Rules shall have the same meanings ascribed to them in the Articles.

Article 35

For any matter not covered in these Rules, or in the event of any contradiction with any provisions of the laws, administrative regulations, regulatory documents or the Articles as amended under lawful procedures promulgated after these Rules become effective, the provisions of such laws, administrative regulations, regulatory documents and the Articles shall prevail.

Article 36

These Rules shall be implemented from the date of publication. The right of interpretation of these Rules rests with the Board of the Company.