

Terms of Reference of the Remuneration and Appraisal Committee under the Board of Shandong Gold Mining Co., Ltd.

Chapter 1 General Provision

Article 1 In order to establish a sound system of assessment and remuneration management for directors (non-independent directors) and senior management, and perfect its corporate governance structure, the Company has set up the Remuneration and Appraisal Committee under the Board and formulated 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Listing Rules"), the Articles of Association of Shandong Gold Mining Co., Ltd. (hereinafter referred to as the "Articles of Association") and other relevant requirements.

Article 2 The Remuneration and Appraisal Committee under the Board is a specific working body set up by the Board. Its main responsibilities are to formulate standards for appraising directors and senior management of the Company and conduct assessments; formulate and review the policies for and proposals on the remuneration of directors and senior management of the Company. The Committee shall be accountable to the Board.

Chapter 2 Composition

Article 3 The Remuneration and Appraisal Committee shall consist of three to five directors. A majority of them shall be independent directors.

Article 4 Members of the Remuneration and Appraisal Committee shall be nominated by the chairman of the Board, more than half of the independent directors, or by one-third of the Board members, and are subject to election by the Board.

Article 5 The Remuneration and Appraisal Committee shall have one chairman (convener) who shall be an independent director and be responsible for the duties of the Committee. The chairman of the Committee shall be elected from the members, subject to the approval of the Board.

Article 6 The term of office of the Remuneration and Appraisal Committee shall be identical to that of the Board. A member may offer himself/herself for re-election upon the expiration of his/her term of office. During his/her term of office, if any member ceases to be a director, his/her membership in the Remuneration and Appraisal Committee shall lapse automatically, and the vacancy shall be filled by the person elected by the Committee in accordance with Articles 4 to 6 above.

Article 7 The supporting departments of the Remuneration and Appraisal Committee shall be the department responsible for performance appraisal and human resources department of the Company, which are responsible for providing information on the business operations of the Company and the

relevant information of the persons to be appraised. The supporting departments shall also be responsible for preparation of meetings and implementation of relevant resolutions of the Remuneration and Appraisal Committee.

Chapter 3 Responsibilities and Authorities

Article 8 The Remuneration and Appraisal Committee shall be responsible for formulating the performance assessment criteria for directors and senior management, conducting their evaluations, and formulating and reviewing the remuneration determination mechanisms, decision-making procedures, payment and clawback arrangements, and other remuneration policies and plans for directors and senior management. It shall exercise the following functions and powers:

- (I) to make recommendations to the Board on remuneration plans or proposals and establishment of formal and transparent procedures for the formulation of the above remuneration plans or proposals according to the primary scope, responsibilities, importance of the management positions of directors and senior management members and the remuneration standards of relevant positions in other relevant enterprises;
- (II) remuneration plans or proposals include but not limited to performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty plans and systems;
- (III) to determine the specific remuneration packages of non-independent directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and to make recommendations to the Board on the remuneration of independent directors. The factors to be considered by the Committee include requirements of laws and regulations, salaries paid by comparable companies, time commitment and responsibilities of the directors and senior management, the employment conditions of other positions within the Company and desirability of performance based on remuneration;
- (IV) to review and approve the performance-based remuneration packages by making reference to the corporate objectives approved from time to time by the Board;
- (V) to review the performance of duties of directors (non-independent directors) and senior management members of the Company and to conduct annual performance appraisals on them;
- (VI) to examine and approve compensation payable to non-independent directors and senior management 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;
- (VII) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such compensation arrangements are in accordance with the relevant contractual terms or are otherwise reasonable and appropriate;

- (VIII) to ensure that no director or any of his/her associates (as defined in the Hong Kong Listing Rules) is involved in deciding his/her own remuneration;
- (IX) to supervise the implementation of the Company's remuneration system;
- (X) the Remuneration and Appraisal Committee may appoint professional bodies to assist it in the performance of the above duties;
- (XI) to review and/or approve matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules;
- (XII) to perform other duties as conferred by the laws and regulations, relevant regulatory requirements of the listing place(s) of the Company, such as the Hong Kong Listing Rules, these terms of reference and the Board.

Article 9 The Remuneration and Appraisal Committee shall make recommendations to the Board on the following matters:

- (I) the remuneration of directors and senior management;
- (II) the formulation of or amendment to equity incentive schemes, employee share schemes, and the achievement of conditions for the grant and exercise of rights by incentive participants;
- (III) the arrangements made by directors and senior management for shareholding plans in connection with the proposed spin-off of subsidiaries;
- (IV) other matters as stipulated by laws, regulations and the Articles of Association.

Where the Board does not adopt or fully adopt the recommendations of the Remuneration and Appraisal Committee, it shall record the Committee's opinions and the specific reasons for not adopting them in the Board resolution, and make appropriate disclosure.

Article 10 The Remuneration and Appraisal Committee should consult the chairman of the Board and/or the general manager about the remuneration proposals for other executive directors. The Remuneration and Appraisal Committee shall have access to independent professional advice if necessary. The remuneration plan proposed by the Remuneration and Appraisal Committee shall not prejudice the interests of shareholders and shall comply with the provisions of applicable laws and regulations. The Board shall have the right to overrule any remuneration plans or packages that may prejudice the interest of shareholders.

Article 11 The remuneration plans for directors of the Company proposed by the Remuneration and Appraisal Committee shall be subject to the approval of the Board and may be implemented only upon the consideration and approval of the shareholders' meeting and shall be disclosed. The remuneration distribution plan for senior management of the Company shall be submitted to the Board for approval, explained to the shareholders' meeting, and fully disclosed.

Chapter 4 Decision-making Procedures

Article 12 The department responsible for performance appraisal of the Company and the human resources department shall be responsible for the preliminary preparations for decision making of the Remuneration and Appraisal Committee, and providing relevant information of the Company:

- (I) to provide information on the Company's fulfilment of its main financial and business objectives;
- (II) to provide information on the division of work of the Company's senior management and their duties;
- (III) to provide information on fulfilment of targets involved in the work performance assessment system of directors and senior management;
- (IV) to provide information on the business initiatives and profit-making ability of directors and senior management in business operation;
- (V) to provide the basis of measure and calculation in relation to formulating the Company's remuneration distribution plan and method with reference to the performance results of the Company.

Article 13 The procedures for appraising directors and senior management adopted by the Remuneration and Appraisal Committee are:

- (I) the directors and senior management shall report their work and make self-assessments to the Remuneration and Appraisal Committee under the Board;
- (II) the Remuneration and Appraisal Committee shall carry out performance assessments of the directors and senior management according to the performance assessment standards and procedures;
- (III) a proposal on the amount of remuneration and method of reward for the directors and senior management based on the results of work performance assessments and remuneration distribution policy shall be, after a voting in its favor, reported to the Board.

Chapter 5 Procedural Rules

Article 14 The Remuneration and Appraisal Committee shall hold at least one meeting each year. A notice of meeting shall be sent to all the members three days before the date of the meeting. A meeting of the Remuneration and Appraisal Committee shall be presided over by the chairman (convener) of the Committee. When the chairman is unable to attend the meeting, he/she may appoint another member of the Committee (an independent director) to preside over the meeting on his/her behalf. In case of urgent matters, the aforesaid period may be exempted and flexible meeting notice methods may be adopted, provided that the convener shall make an explanation at the meeting.

Article 15 A Remuneration and Appraisal Committee meeting may only be convened with the presence of more than two-thirds of the members. Each member has one vote. Resolutions may only be passed by a majority of all the members of the Remuneration and Appraisal Committee voting in favor of such resolutions.

Article 16 Votes may be made by a show of hands or by poll in a Remuneration and Appraisal Committee meeting, while for voting at an extraordinary meeting of the Committee may also be by correspondence.

Article 17 The principal persons in charge and the persons in charge of the performance appraisal and the human resources department may attend the meetings of the Remuneration and Appraisal Committee as non-voting participants. Other directors and senior management of the Company may be invited to attend such meetings when necessary. Attendees of the meetings shall have the right to speak, but not the right to vote.

Article 18 The Remuneration and Appraisal Committee may, if necessary, engage an intermediary to provide professional advice on its decision-making at the cost of the Company.

Article 19 A member of the Remuneration and Appraisal Committee shall abstain from discussing and voting on the subject matters referring to him/her.

Article 20 The procedures for convening of a Remuneration and Appraisal Committee meeting, its voting methods and the remuneration policies and distribution plan to be passed at such meeting must comply with the provisions of applicable laws, regulations, the Articles of Association and these terms of reference. If a member is an interested party in any matter being considered by the Remuneration and Appraisal Committee, such member shall abstain from the discussion and voting of such matter.

Article 21 Minutes shall be kept for a Remuneration and Appraisal Committee meeting. The minutes shall be prepared by the executive body of the Committee and shall contain the following information:

(I) serial number, form, date, venue and name of the chairman of the meeting;

- (II) attendance and absence of members in person or by proxy;
- (III) name and title of each attendee;
- (IV) agenda of the meeting;
- (V) main points raised by any members and other relevant attendees;
- (VI) name of the person taking minutes;
- (VII) abstention of any interested member (if any), which shall be specified in the minutes or the relevant resolutions.

All Committee members present at the meeting shall sign the minutes. The minutes shall be kept by the office of the Board of the Company in accordance with the relevant archive management system of the Company for a period of no less than ten years.

Article 22 Any resolution passed at a Remuneration and Appraisal Committee meeting and the voting results must be reported in written form to the Board of the Company.

Article 23 Members present at such meeting are obliged to keep all matters discussed at such meeting confidential, and shall not disclose any relevant information without authorization.

Chapter 6 Addendum

Article 24 These terms of reference shall take effect from the date of review and approval by the Board.

Article 25 The phrases “more than” and “at least” herein for the numbers include the numbers indicated themselves while “a majority of” excludes the numbers indicated themselves.

Article 26 In case of matters not covered herein, the relevant state laws, administrative regulations, normative documents, the securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association shall apply. In case any of these terms of reference conflicts with the state laws, administrative regulations, normative documents, the securities regulatory rules of the place where the Company’s shares are listed promulgated in the future or the Articles of Association as legally modified, the relevant state laws, administrative regulations, normative documents, the securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association shall prevail. In such case, corresponding amendments shall be made to these terms of reference immediately and submitted to the Board for approval.

Article 28 These terms of reference shall be construed, interpreted, and amended by the Board of the Company.

Article 29 These terms of reference are in both Chinese and English versions. Should there be any inconsistency between the English and Chinese versions, the latter shall prevail.