# Dajin Heavy Industry Co., Ltd.
# 大金重工股份有限公司

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

**(Stock Code: 1081)**

## Terms of Reference of the Remuneration and Appraisal Committee of the Board of Directors

### Chapter 1 General Provisions

**Article 1** In order to further establish and improve the appraisal and remuneration management system for directors and senior management of Dajin Heavy Industry Co., Ltd. (the "Company"), and improve the corporate governance structure, the Company established the Remuneration and Appraisal Committee of the Board of Directors (the "Board") and formulated these Terms of Reference in accordance with relevant laws, administrative regulations, departmental rules, normative documents and securities regulatory rules such as 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") (together, the "securities regulatory rules of the places where the Company's shares are listed") and the Articles of Association of Dajin Heavy Industry Co., Ltd. (the "Articles of Association") and other relevant provisions.

**Article 2** The Remuneration and Appraisal Committee is a special operating committee established by the Board of the Company with the approval of the general meeting. The main duties of the committee are to establish the appraisal criteria, conduct appraisals, and to formulate and review the remuneration policies and plans of the directors and senior management of the Company. The Remuneration and Appraisal Committee shall be accountable to the Board.

**Article 3** The directors referred to in these Terms of Reference refer to the chairman and the directors who receive remuneration from the Company, the senior management refers to the general manager, deputy general manager, finance director, secretary of the Board and chief financial officer as appointed by the Board, and other senior management recognized by the Articles of Association.

### Chapter 2 Composition

**Article 4** The Remuneration and Appraisal Committee shall consist of three directors, of which more than half of the members shall be independent directors.

The term "independent director" referred to herein shall have the same meaning as that of the "independent non-executive director" under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

**Article 5** The members of the Remuneration and Appraisal Committee shall be nominated by the Chairman of the Board, over one-half of the independent directors or one-third of all the directors, and shall be elected by the Board.

**Article 6** The Remuneration and Appraisal Committee shall have a chairman, who shall be an independent director and the chairman shall be elected by the Board and be responsible for chairing the Remuneration and Appraisal Committee.

**Article 7** The term of office of the Remuneration and Appraisal Committee shall be the same as that of the Board. Members of the Committee can be re-elected upon expiry of their terms. If a member is no longer the Company's director during the term of office, he/she will automatically lose the qualification to be a member of the Committee and the vacancy shall be filled up by the Committee in accordance with the provisions of these Terms of Reference.

**Article 8** The Remuneration and Appraisal Committee shall establish a working team, which may be composed of relevant personnel from the Office of the Board, the Human Resources Administration Center and the Finance and Economics Center of the Company. The specialized duties of the working team are to provide information on the Company's operation and persons to be appraised, preparing for the Remuneration and Appraisal Committee meetings, and implementing the relevant resolutions of the Remuneration and Appraisal Committee.

## Chapter 3 Duties and Powers

**Article 9** The Remuneration and Appraisal Committee is responsible for the formulation of standards for appraising and appraisals on directors and senior management, and the formulation and review of remuneration policies and proposals of the directors and senior management, and making recommendations to the Board on the following matters:

(1) remuneration for the directors and senior management;

(2) formulation or change of equity incentive plans and employee stock ownership plans, and fulfillment of the condition for granting and exercising the rights and interests of incentive recipients;

(3) directors and senior management arrange shareholding plans in subsidiaries proposed to be spun off;

(4) other matters stipulated by laws, administrative regulations, normative documents, securities regulatory rules of the places where the Company's shares are listed and the Articles of Association.

**Article 10** The Board shall have the right to veto any remuneration plans or proposals that are detrimental to the interests of shareholders.

**Article 11** The remuneration plan for the directors of the Company proposed by the Remuneration and Appraisal Committee shall be approved by the Board and submitted to the general meeting for approval before implementation. The remuneration plan for the senior management of the Company shall be submitted to the Board for approval.

## Chapter 4 Procedures of Decision-making

**Article 12** The working group of the Remuneration and Appraisal Committee shall prepare the following information of the Company for the decisions of the Remuneration and Appraisal Committee:

(1) achievement of the main financial targets and business objectives of the Company;

(2) division of labour of the Company's senior management and their major duties;

(3) achievement of targets being involved in the work performance appraisal of directors and senior management;

(4) contribution to business initiatives and profitability of the business operations of the Company of the directors and senior management;

(5) the estimates and basis used for formulating the remuneration plans and distribution methods based on the results performance of the Company.

**Article 13** The Remuneration and Appraisal Committee's procedures of examination and assessment for directors and senior management are:

(1) The directors and senior management shall report their work and make self-appraisals to the Remuneration and Appraisal Committee of the Board;

(2) The remuneration committee shall carry out performance appraisal of the directors and senior management according to the standards and procedures for performance appraisal;

(3) A proposal on the amount of remuneration and method of reward for the directors and senior management based on the results of work performance appraisals and under the remuneration distribution policy shall be made and, after the same being voted and passed, shall be reported to the Board.

## Chapter 5 Rules of Procedure

**Article 14** The Remuneration and Appraisal Committee shall convene meetings from time to time as needed.

**Article 15** The chairman of the Remuneration and Appraisal Committee (or in his/her absence, a member who is an independent director designated by the chairman) shall chair the meetings.

**Article 16** The Remuneration and Appraisal Committee shall issue a meeting notice at least 5 days in advance when it convenes a working meeting. If the situation is urgent and it is necessary to convene a meeting of the Remuneration and Appraisal Committee as soon as possible, notice of the meeting may be given by telephone or other oral means at any time, but the convener shall give an explanation at the meeting.

**Article 17** A meeting of the Remuneration and Appraisal Committee shall be held only when at least two-thirds of the members are present. Each member shall have one vote. A resolution of the meeting shall be adopted only upon approval by a majority of all members.

**Article 18** The voting method of the meeting of the Remuneration and Appraisal Committee shall be voting by show of hands or by poll. Meetings may also be convened by means of voting by correspondence.

**Article 19** The Remuneration and Appraisal Committee may invite directors and senior management of the Company to attend the meetings when necessary.

**Article 20** Where necessary, the Remuneration and Appraisal Committee may engage intermediary institutions to provide professional advice for its decision-making, with all expenses to be borne by the Company.

**Article 21** When the Remuneration and Appraisal Committee discusses any matter relating to a member of the committee at a meeting, such member shall abstain from voting.

**Article 22** The procedures for convening a meeting, the method of voting and the remuneration policies and distribution plans passed at the meetings of the Remuneration and Appraisal Committee shall comply with the provisions of the relevant laws and regulations, normative documents, securities regulatory rules of the places where the Company's shares are listed, the Articles of Association and these Terms of Reference.

**Article 23** Records shall be kept for meetings of the Remuneration and Appraisal Committee. Members of the Remuneration and Appraisal Committee who attend the meeting shall sign the minutes. The minutes shall be maintained by the secretary to the Board of the Company for a period of ten years.

**Article 24** Resolutions passed and voting results at meetings of the Remuneration and Appraisal Committee shall be reported to the Board of the Company in writing.

**Article 25** All members of the Remuneration and Appraisal Committee and others present and attending the meeting shall have a duty of confidentiality with respect to the matters discussed at the meeting and shall not disclose any relevant information without authorization.

## Chapter 6 Supplementary Provisions

**Article 26** The term "independent director" referred to herein shall have the same meaning as that of the "independent non-executive director" under the Hong Kong Listing Rules.

**Article 27** Matters not covered in these Terms of Reference shall be implemented in accordance with the relevant provisions of the relevant national laws, regulations, normative documents, securities regulatory rules of the places where the Company's shares are listed, the Articles of Association and other normative documents. In the event of any conflict between these Terms of Reference and the national laws, regulations, normative documents, securities regulatory rules of the places where the Company's shares are listed subsequently introduced, or the Articles of Association as amended through lawful procedures, such relevant national laws, regulations and Articles of Association shall prevail.

**Article 28** These Terms of Reference shall be interpreted by the Board of the Company and shall take effect and be implemented from the date of listing of the Company's overseas listed H shares pursuant to the initial public offering on The Stock Exchange of Hong Kong Limited after being considered and approved by the Board.