

# **XINTE ENERGY CO., LTD.**

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

**June 2015**

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## Chapter 1 General Provisions

**Article 1** In order to establish a comprehensive appraisal and remuneration management system for directors and senior management staff of XINTE ENERGY CO., LTD. (the “Company”) and improve the corporate governance structure, the Company hereby established the remuneration and appraisal committee (the “Remuneration and Appraisal Committee” or the “Committee”) of the board of directors (the “Board”) and formulated this terms of reference (“Terms of Reference”) in accordance with the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) and the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the Articles of Association of XINTE ENERGY CO., LTD. (the “Articles of Association”) and other relevant regulations.

**Article 2** The Remuneration and Appraisal Committee is a special committee established under the Board and is responsible for providing advice or suggestions for decision-making by the Board and the chairman of the Board in relation to issues within the scope of authorization delegated by the Board, and shall be accountable and report to the Board.

## Chapter 2 Composition of the Committee

**Article 3** The Committee shall comprise five directors, a majority of whom shall be independent non-executive directors.

**Article 4** Members of the Committee shall be nominated by the chairman of the Board, half or more of the independent non-executive directors or one-third or more of all the directors, and elected by more than half of all the directors. Upon the approval of the resolution for the election of members, the appointment of the newly-elected member shall become effective immediately after such resolution of the Board takes effect.

**Article 5** The Committee shall have a chairman responsible for hosting the work of the Committee, and the chairman position shall be held by an independent non-executive director with the consideration and approval of the Board. When the chairman of the Committee is unable to or cannot discharge his/her duties, another member (who shall be an independent non-executive director) can be designated to act as the chairman.

**Article 6** The term of office of the members of the Committee shall be the same as that of the directors. A member of the Committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. If any member ceases to be a director of the Company during his/her term of office, he/she shall *ipso facto* cease to be a member of the Committee.

**Article 7** A member of the Committee may resign before the expiry of his/her term of office. The written resignation report shall include a statement of the reasons for such resignation and if necessary, the matters that shall be brought to the attention of the Board. In the event that the number of members of the Committee falls below the quorum provided in the Terms of Reference, the member who tendered the resignation shall continue to perform the related duties before the newly elected of the Board takes office.

**Article 8** The terms of office of members of the Committee may be adjusted during their terms of office according to the recommendation of the chairman of the Board and upon the consideration and approval of the Board.

**Article 9** In the event that the number of members of the Committee falls below the quorum provided in the Terms of Reference, the vacancy shall be filled up in accordance with the Terms of Reference.

### **Chapter 3 Duties of the Committee**

**Article 10** The main duties of the Committee are as follows:

- (1) to provide suggestions to the Board in respect of the appraisal standards and the overall remuneration policies and structure for the directors and senior management staff of the Company, and the establishment of formal and transparent procedures for the formulation of such remuneration policies; and to review the performance appraisal standards and conduct appraisal for directors and to provide corresponding suggestions;
- (2) to conduct review and approval on the proposed remuneration of the operational level based on the corporate operating objectives, and to make suggestions to the Board for the specific remuneration treatment for directors and senior management, including the performance-based remuneration plans. The Committee shall consider factors including the remuneration paid by comparable companies, the time commitment and the scope of duties of directors, the employment conditions of other positions within the Company and whether the remuneration shall be based on results performance;
- (3) to conduct appraisal on the performance of Directors and senior management members according to the performance assessment scheme, and to determine their remuneration and matters relating to rewards and penalties;
- (4) to make suggestions to the Board on the remuneration of individual executive directors and senior management staff, including non-monetary benefits, pension and compensation (including compensation for the loss or termination of office or appointment);
- (5) to provide the Board with suggestions regarding the remuneration of non-executive directors;
- (6) to provide the Board with suggestions on the relevant compensation paid by the Company to executive directors and senior management staff in respect of their loss or termination of office or appointment, and the compensation arrangements regarding the dismissal or removal of directors due to misconduct, and to ensure that such arrangements comply with the terms of their service contracts, or otherwise, such compensation shall be reasonable and appropriate;
- (7) to ensure that a director shall not participate in determining his/her own remuneration;
- (8) to conduct review and supervision in relation to the implementation of the remuneration system of the Company;
- (9) other duties as assigned by the Board.

The Committee shall make public its terms of reference and explain its roles and the powers granted by the Board. The Committee shall be provided with sufficient resources to discharge its duties.

**Article 11** The remuneration plan for directors and supervisors proposed by the Committee shall be submitted to and approved by the Board, subject to consideration and approval at the general meeting; and the remuneration distribution proposal for the senior management staff of the Company shall be submitted to and approved by the Board. The equity incentive scheme of the Company as proposed by the Committee shall be subject to the approval of the Board and the general meeting of the Company.

The Board shall have the right to veto any remuneration plan or proposal that prejudices the interests of shareholders.

**Article 12** The duties of the chairman of the Committee are as follows:

- (1) to convene and chair the meetings of the Committee;
- (2) to supervise and examine the operations of the Committee;
- (3) to sign relevant documents of the Committee;
- (4) to report to the Board on the operations of the Committee;
- (5) other duties as requested by the Board.

**Article 13** The Committee shall exercise its authority in compliance with the provisions of the Company Law, the Articles of Association and the Terms of Reference and shall not prejudice the interests of the Company and its shareholders.

**Article 14** The Committee may, if necessary, engage intermediary agencies to provide professional advice for its decision-making upon obtaining authorization from the Board, and the reasonable expenses incurred thereby shall be borne by the Company.

## **Chapter 4 Meetings of the Committee**

**Article 15** The Committee shall meet at least once a year, with a written notice dispatched to all members two days prior to the meeting. A meeting shall be chaired by the chairman of the Committee, and if the chairman is unable to perform his/her duties, he/she may designate another member (who shall be an independent non-executive director) to chair the meeting. In principle, a meeting of the Committee shall be held by way of on-site meeting. With the consent of the chairman of the Committee (who shall not refuse to give consent unreasonably), a meeting may be held by way of electronic communications such as teleconference and videoconference or respective reviews through written materials. In case of emergencies or extraordinary circumstances, the aforesaid time and procedures of notice may be waived upon the approval of the chairman, but the chairman shall explain accordingly at the meeting.

**Article 16** A meeting of the Committee may be convened at the request of the chairman of the Committee or half or more of the members of the Committee.

**Article 17** The Company's securities department, as an organ for the routine work of the Committee, shall be responsible for daily work liaison, making arrangements for meetings, and liaising and coordinating with relevant departments of the Company as well as clerical and secretarial duties. The relevant departments of the Company shall cooperate with the office of the Board for its work.

The Company's securities department shall be responsible for the notice of meeting and affairs of the Committee. The notice of meeting, to be dispatched by means of fax, email or delivery in person, shall specify, among others, the time, venue, form, proposer, date, agenda and items of the meeting, the time of issuing the notice, the contact person and contact details of the meeting.

**Article 18** Upon the receipt of the notice of meeting, members of the Committee shall give acknowledgement and reply by providing relevant information (including but not limited to the availability for the meeting and schedule) in a timely and appropriate manner.

**Article 19** The quorum of the meetings of the Committee shall be more than half of the members.

Members of the Committee shall attend meetings in person (including attending on-site meetings in person or by means of communications). A member who is unable to attend a meeting in person may by a duly signed power of attorney appoint another member of the Committee to attend and exercise relevant powers at the meeting on his/her behalf. The power of attorney shall specify, among others, the names of the principal and the proxy, the scope of authorization, the restriction and scope of authorization and the validity period of authorization, with the signatures or seals of the principal and the proxy.

**Article 20** Any member of the Committee failing to attend two consecutive meetings of the Committee in person without justifiable reasons and without appointing another member to attend on his/her behalf shall be deemed as incapable of performing the duties of a member of the Committee, and shall be subject to replacement by the Board in accordance with the Terms of Reference.

## **Chapter 5 Proceedings of Meetings**

**Article 21** Based on the work requirements, the Committee shall request the related departments of the Company to complete the preliminary preparatory work for the decision-making of the Committee and to provide relevant information of the Company:

- (1) to provide the major financial indicators of the Company and the completion status of its operating objectives;
- (2) the specific work scope and major duties of the senior management staff of the Company;
- (3) to provide the completion status of various indicators involved in the appraisal system for the directors and senior management staff;

- (4) to provide the operational performance in respect of the creativity and profit-generating capability of the directors and senior management staff;
- (5) to provide the basis for estimates in respect of the allocation plans and allocation approaches of remuneration based on the financial results of the Company;
- (6) other information relating to the work of the Remuneration and Appraisal Committee.

**Article 22** In principle, a meeting of the Committee shall be held in the form of on-site meeting, where voting shall be made by a show of hands or by poll. Upon approval of the chairman of the Committee, a meeting may be held by way of communications or through written proposals to be considered separately, while members of the Committee shall submit documents of the meeting of the Committee such as completed votes and signed examination opinions to the office of the Board within the time specified in the notice of meeting.

If a meeting of the Committee is held by electronic communications including teleconference and videoconference, it shall be ensured that the members of the Committee attending the meeting can clearly hear the speeches delivered by other members and can communicate with each another. Audio recordings or video recordings of a meeting of the Committee held by electronic communications including teleconference or videoconference shall be maintained permanently, and the voting of the relevant meeting of the Committee shall be based on the verbal voting instructions of members of the Committee as recorded in the audio recordings or video recordings of the meeting of the Committee. The verbal voting instructions made by a member of the Committee at a meeting held by electronic communications including teleconference or videoconference shall be consistent with those in the written record signed after the conclusion of the meeting. In case of any inconsistency between the written record signed and the verbal voting instructions, the verbal voting instructions shall prevail. Members participating in a meeting held by electronic communications including teleconference or videoconference shall be deemed as attending such meeting of the Committee in person.

**Article 23** When reviewing and discussing the proposed matters at the meeting of the Committee, members shall clearly, independently and fully express their views based on their own judgment. The main opinions of each member shall be specified in the minutes of the meeting.

**Article 24** The chairman of the Committee shall, on the basis of adequate review and discussion, form an examination opinion on the matters discussed at the meeting of the Committee by summarizing the discussions and opinions of the members at the meeting, and shall make arrangements for members to vote on the matters discussed and the examination opinion by a show of hands or by poll. Each member of the Committee shall have one vote. The examination opinion on the matters discussed at the meeting formed by the meeting of the Committee shall be passed by more than half of all members. Members who cast dissenting votes are entitled to demand their objection to be stated in the examination opinion of the Committee.

In the event of insufficient information or data as required by the proposed matters, resulting in half or more of the members are of the view that no discussion or judgment can be made, the chairman of the Committee shall have the right to require the provision of additional information or data before further consideration.

Save as described above, the Committee shall express its examination opinions on the matters considered with explicit agreement or disagreement.

**Article 25** The secretary to the Board shall be in-attendance at meetings of the Committee, and other directors, supervisors and relevant senior management staff of the Company, personnel of relevant functional departments of the Company as well as relevant experts, scholars and representatives from intermediary agencies may be invited to be in-attendance at meetings when necessary. Person in-attendance at meetings shall give explanations on relevant matters at the request of members of the Committee.

**Article 26** Where a member of the Committee is interested in the matter being discussed at a meeting of the Committee, he/she shall abstain from attending or withdraw from such meeting.

**Article 27** Minutes shall be kept for the meetings of the Committee, bearing signatures of the members present at the meetings. Written documents regarding the minutes and resolutions of the Committee shall be kept by the Company's securities department for a period of no less than 10 years. The draft and final versions of the minutes of the Committee shall be delivered to all members of the Committee within a reasonable period of time after the meeting for members' comment and inspection purposes respectively.

**Article 28** Proposals and voting results adopted at meetings of the Committee shall be reported to the Board in writing. In the case that it is difficult to reach an agreement on a proposal, the different opinions shall be submitted to the Board with explanations.

**Article 29** Members attending meetings shall undertake confidentiality obligations for all items discussed at the meetings, and relevant information shall not be disclosed without permission.

## **Chapter 6 Supplementary Provisions**

**Article 30** Unless otherwise specified, the terms used herein shall have the same meaning ascribed thereto under the Articles of Association.

**Article 31** The senior management staff mentioned in the Terms of Reference refer to the general manager, vice general manager, officer-in-charge of financial affairs, secretary to the Board and other senior management staff as determined by the Articles of Association.

**Article 32** The terms "or more" and "at least" mentioned in the Terms of Reference shall include the underlying number, while the term "more than half" shall not include the underlying number.

**Article 33** Upon the consideration and approval of the Board, the Terms of Reference shall become effective on the date of initial issue and listing of shares in Hong Kong by the Company.



**Article 34** Any matters not covered by the Terms of Reference shall be subject to relevant laws, regulations, rules of securities regulatory authorities and stock exchanges of China and the Articles of Association. In case of any discrepancy between the Terms of Reference and the laws and regulations to be promulgated by the government of China in the future, the rules of securities regulatory authorities and stock exchanges, or the Articles of Association as amended according to lawful procedures, the relevant laws and regulations, rules of securities regulatory authorities and stock exchanges of China and the Articles of Association shall prevail, and the Terms of Reference shall be amended immediately for consideration and approval of the Board.

**Article 35** The Terms of Reference are written in Chinese. In case of any discrepancy between the Chinese text and English text of the Terms of Reference, the Chinese text shall prevail.

**Article 36** The Terms of Reference shall be construed and interpreted by the Board of the Company.

XINTE ENERGY CO., LTD.

2 June 2015