

Terms of Reference and Rules of Procedures of the Remuneration Committee under the Board of Jilin Province Chuncheng Heating Company Limited*¹

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to further establish a sound remuneration management system and consummate corporate governance structure of Jilin Province Chuncheng Heating Company Limited (hereinafter referred to as the “Company”), the Company has established the remuneration committee under the board of directors and formulated these terms of reference in accordance with relevant laws and regulations of the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”) and the requirements of the Articles of Association of the Company (the “Articles of Association of the Company”).

Article 2 The remuneration committee (the “Committee”) is a special committee established by the board of directors and is principally responsible for researching the remuneration strategies and policies, performance appraisal and incentive mechanism and other matters regarding the remuneration of directors, supervisors and senior management, and making relevant recommendations to the board of directors. Upon the approval by the board of directors, they will be proposed for consideration at the general meeting.

Article 3 For the purpose of these terms of reference, senior management means the general manager, deputy general manager, chief financial officer and secretary of the board of directors of the Company.

CHAPTER 2 COMPOSITION

Article 4 The Committee shall consist of three (or more) directors who shall be directly appointed by the board of directors and the majority of whom shall be independent non-executive directors. The Committee shall be chaired by an independent non-executive director.

Article 5 Members of the Committee shall attend regular meetings of the Committee, and shall actively express their opinions on matters proposed at the meetings and have a thorough understanding of the roles and responsibilities of the Committee.

Article 6 The secretary of the board of directors or the joint company secretaries or their proxy shall be the secretary of the Committee.

¹Note: this document has Chinese and English versions and the Chinese version shall prevail.

* for identification purpose only

Article 7 Members of the Committee shall disclose to the chairman of the Committee the following matters:

- (I) any personal financial interest (other than as a shareholder of the Company) in any matter to be decided by the remuneration committee; and
- (II) any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and abstain from participating in the discussions concerning such resolutions, and shall resign from the remuneration committee (at the request of the board of directors).

CHAPTER 3 DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee shall include:

Article 8 making recommendations to the board of directors on the Company's policy and structure for the remuneration of all directors, supervisors and senior management and establishment of a formal and transparent procedure for the formulation of a remuneration policy;

Article 9 reviewing and approving remuneration proposals of senior management with reference to the corporate goals and objectives as the board of directors may determine from time to time;

Article 10 being responsible, as the board of directors shall direct, for making recommendations to the board of directors on the remuneration packages of individual executive directors, supervisors 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);

Article 11 making recommendations to the board of directors on the remuneration of non-executive directors (including independent non-executive directors) and supervisors of the Company, advisors to the board of directors (if any) and members of various committees under the board of directors;

Article 12 considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

Article 13 subject to prior approval at the general meeting, reviewing and approving compensation payable to executive directors, supervisors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair, reasonable and not excessive;

Article 14 subject to prior approval at the general meeting, reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

Article 15 review and/or approval matters relating to the share scheme set out in Chapter 17 of the Hong Kong Listing Rules.

Article 16 implementing other matters stipulated by laws, regulations, regulatory documents, the Articles of Association and these terms of reference, required by the securities regulatory authorities of the place where the shares of the Company are listed and authorized by the board of directors.

Article 17 The remuneration plans proposed by the Committee for directors, supervisors and senior management of the Company shall be subject to approval by the board of directors and adoption at the general meeting. The foregoing remuneration plans shall not damage the interests of shareholders.

Article 18 Pursuant to Rule 13.68 of the Listing Rules, the Committee shall advise on directors' and supervisors' service agreements requiring the approval of shareholders. It shall notify shareholders of whether relevant terms in the agreements are fair and reasonable, whether such agreements are in the interest of the Company and its shareholders as a whole, and shall advise on procedures for shareholders (except for shareholders who are directors and who have material interest in such service agreements as well as their associates) to vote. The aforesaid directors' service agreements requiring shareholders' approval include agreements with a service term longer than three years, agreements providing that a more than one-year prior notice shall be given or compensation or other expenses equal to the remuneration for more than one year shall be paid if the Company terminates the agreements, or agreements required by the securities regulatory authorities of the place where the shares of the Company are listed;

Article 19 The remuneration committee shall be responsible for approving all disclosure statements in relation to the remuneration committee, including but not limited to relevant disclosure statements in annual reports, semi-annual reports and information uploaded to the websites of the Stock Exchange and the Company;

Article 20 Subject to the Corporate Governance Code (the "Governance Code") set out in the Hong Kong Listing Rules, the Committee shall exercise other powers, authorities and discretions delegated by the board of directors to it from time to time in determining the remuneration of executive directors, non-executive directors, supervisors and senior management as well as perform other duties and responsibilities; and

Article 21 In performing its duties in accordance with these terms of reference, the Committee shall:

- (I) encourage the senior management to establish a remuneration culture which is in compliance with the overall strategy of the Company and its subsidiaries (collectively referred to as the "Group") and which supports fulfilment of the Group's vision, mission and value, and provide competitive packages to attract, retain and motivate high calibre executive directors of the Company with reference to market practice;
- (II) consult the chairman of the board of directors and/or the general manager about the remuneration proposals for other executive directors and senior management. The Committee may seek independent professional advice if necessary;

- (III) determine the level of remuneration paid by the Company relative to other companies in the industry in which the Company operates, by considering remuneration paid by comparable companies in such industry, time commitment and responsibilities, and employment conditions elsewhere in the Group;
- (IV) be sensitive to market practice, including salary and employment conditions within the Company and elsewhere in the industry in which the Company operates, especially when determining annual salary increases;
- (V) ensure that the part of remuneration linked to corporate and individual performance contributes a significant portion of the total remuneration package of executive directors and senior management, in order to motivate employees, align their interests with those of the shareholders, attract and retain talents, and to facilitate each of the directors and senior management to provide the highest level services to the Company;
- (VI) ensure that none of the directors and their associates (within the meaning of the Hong Kong Listing Rules) would participate in the determination of their own remuneration;
- (VII) ensure that the share scheme granting to the directors or senior management by the Company, if any, is in compliance with the requirements of Chapter 17 of the Hong Kong Listing Rules, if applicable, and that the Company's employee incentive plan is in compliance with applicable regulations;
- (VIII) work closely with other committees under the board of directors and communicate with other committees appropriately on a regular basis to ensure the timely supervision of the remuneration management of the Company; and
- (IX) upload these terms of reference to the websites of the Stock Exchange and the Company to explain its duties and power delegated by the board of directors.

CHAPTER 4 POWER

Article 22 The Committee has the right to seek adequate administrative support from the senior management of the Group and has separate and independent access to the senior management of the Group.

Article 23 The senior management shall provide the Committee with all the information necessary and appropriate for the Committee to discharge its responsibilities in a timely manner. The Committee has the right to request any member of the senior management of the Group to promptly respond to the queries raised by any member of the Committee as comprehensive as possible.

Article 24 Members of the Committee may, upon reasonable request, seek independent professional advice for their decision-making in appropriate circumstances, at the Group's expense. In the event of seeking professional advice from an external consultant, such consultant shall be appointed by the chairman of the Committee and its opinions shall be directly submitted to the chairman of the Committee (independent of the senior management).

CHAPTER 5 RULES OF PROCEDURES

Article 25 The Committee shall convene regular meetings at least once a year before the regular meetings of the board of directors in principle. Notices shall be given to all members no less than 3 business days prior to the meeting, and notices of the meeting shall contain the date, place, reasons and topics for discussion of the meeting, but such notice period may be waived with the written consent from more than half of all members.

Article 26 Extraordinary meetings may be convened upon proposal by the chairman or more than half of the members of the Committee. Notices of extraordinary meetings shall be given to all members no less than 3 business days prior to the meeting, but such notice period may be waived with the written consent from more than half of all members.

Article 27 Materials and notice of the meetings of the Committee shall be issued simultaneously. All members shall fully read meeting materials prior to the meeting.

Article 28 In principle, the meetings of the Committee shall be convened in an onsite way with the presence of more than half of all members. The meetings may also be convened by telecommunication means or circulation of written resolutions provided that all members fully express their opinions. Telecommunication means refer to the use of telephone, videos and other telecommunication means to participate in the meeting; circulation of written resolutions refers to the way of making decision on proposals through separate or circulated service and consideration. The quorum of the meetings of the Committee shall be two, one of whom must be an independent non-executive director.

Article 29 The chairman of the Committee shall preside over meetings of the Committee. In the event that the chairman of the Committee is unable to attend, another member (independent non-executive director) may be designated to preside over the meetings. If such delegation is not made, more than half of the members being present shall select a member (independent non-executive director) to preside over the meetings.

Article 30 Members of the Committee shall attend the meetings in person. In the event that a member is unable to attend, he/she may authorize another member in writing to attend and vote on his/her behalf. The proxy who attends and votes at the meeting shall submit the power of attorney to the chairman of the meeting before it begins. The power of attorney shall set out the name of the principal, name of the proxy, matters delegated, voting instructions on matters proposed at the meeting (for or against), scope and validity period of authorization, and shall be signed or sealed by the principal. The

proxy shall exercise the right within the scope of authorization. The principal who authorizes other members to attend the meeting on his/her behalf shall be solely liable to any decisions made by the proxy within his/her scope of authorization.

Article 31 Votes at the meetings of the Committee shall be conducted by a show of hands, by voice or by disclosed ballot, and every member shall have one vote. Resolutions made at the meetings shall not take effect unless they are passed by more than half of all members (including members unable to be present). Members of the Committee shall give express votes, either for or against, but may not abstain from voting.

Article 32 Representatives of the Human Resources Department usually attend the meetings of the Committee to provide assistance. When deemed necessary by the Committee, it may invite non-members of the Committee such as directors, supervisors, relevant members of senior management and head of relevant departments of the Company to be in attendance at some or all of the meetings of the Committee. A prior approval from the chairman of the Committee shall be obtained for the list of such persons in attendance at the meeting.

Article 33 In the process of evaluating the directors, supervisors and senior management and discussing their remunerations, any member who is involved and his/her associates shall abstain from attending the meetings. If a non-executive director or an independent non-executive director is a member of the Committee, his/her remuneration shall be determined by other members of the Remuneration Committee.

Article 34 Full records of the meeting of the Committee shall be kept. Minutes of the meetings of the Committee shall sufficiently record the matters considered and decisions reached by the Remuneration Committee in detail, including any concerns raised by the members or dissenting views expressed. Members attending the meetings shall sign on the final version of the minutes of the meetings of the Committee.

Article 35 Members of the Committee and persons in attendance at the meetings are liable to keep all considered matters confidential and shall not disclose such relevant information without approval.

CHAPTER 6 REPORTING PROCEDURES

Article 36 All minutes of the meetings prepared by the Committee in accordance with the Article 34 above regarding the rules of procedures shall be kept by the secretary of the Committee and be available for inspection at any reasonable time on reasonable notice by any director.

Article 37 The Committee shall regularly report to the board of directors on matters set out in these terms of reference, including the work of the Committee and any material issues in relation to the remuneration system of the Company, and shall consider other topics as defined by the board of directors.

CHAPTER 7 ANNUAL GENERAL MEETING

Article 38 The chairman of the Committee shall attend annual general meetings of the Company and be prepared to answer any shareholder's questions in relation to the affairs of the remuneration committee.

Article 39 If the chairman of the Committee is unable to attend an annual general meeting of the Company, he/she shall arrange for another member of the Committee to attend in his/her place. Such member shall be prepared to answer any shareholder's questions in relation to the work of the Committee at the annual general meeting.

CHAPTER 8 EFFECTIVE DATE AND AMENDMENTS

Article 40 These terms of reference were considered and approved by the board of directors of the Company and shall become effective on the date of the listing of overseas listed foreign shares (H shares) issued by the Company on The Stock Exchange of Hong Kong Limited. Where it is necessary to amend these terms of reference in light of changes in situation, the amendments shall be proposed by the Committee and submitted to the board of directors for consideration and approval.

Article 41 Matters not covered by these terms of reference shall be handled in accordance with the requirements of relevant state laws and regulations, the Hong Kong Listing Rules and the Articles of Association of the Company; in case there is any inconsistency between these terms of reference and any future relevant state laws and regulations, the Hong Kong Listing Rules or the Articles of Association of the Company amended by lawful procedures, the relevant state laws and regulations, the Hong Kong Listing Rules and the Articles of Association of the Company shall prevail and these terms of reference shall be amended accordingly subject to the consideration and approval of the board of directors.

Article 42 These terms of reference shall be interpreted by the board of directors.