



BAOGAI

Shandong Baogai New Materials Technology Co., Ltd.

山東寶蓋新材料科技股份有限公司

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

(Stock Code: 8090)

TERMS OF REFERENCE OF THE REMUNERATION 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, supervisors and senior management of Shandong Baogai New Materials Technology Co., Ltd. (the “**Company**”), and to enhance the corporate governance structure of the Company, these terms of reference are formulated in accordance with the Company Law of the People's Republic of China (the “**Company Law**”), the Measures for the Supervision and Administration of Non-listed Public Companies (the “**Non-listed Public Companies Measures**”), the Governance Rules for Companies Listed on the National Equities Exchange and Quotations (the “**NEEQ Governance Rules**”), the Articles of Association of Shandong Baogai New Materials Technology Co., Ltd. (the “**Articles of Association**”), the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and other relevant laws and regulations, and in light of the actual circumstances of the Company.
- Article 2 The Remuneration Committee is a specific committee set up by the board of directors. Its main responsibilities are to formulate standards for appraising directors, supervisors and senior management of the Company and conduct assessments; to formulate and review the policies for and proposals on the remuneration of directors, supervisors and senior management of the Company. The Remuneration Committee shall be accountable to the board of directors.
- Article 3 For the purposes of these terms of reference, the term “directors” shall refer to all directors of the Company elected by the general meeting, including independent non-executive directors. The term “supervisors” shall refer to all of the supervisors who receive remuneration from the Company, and the term “senior management” shall refer to the general manager, deputy general manager, secretary to the board of directors, financial officer, and other members of the senior management as defined under applicable laws, the GEM Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Chapter 2 Composition

- Article 4 The Remuneration Committee shall comprise three (inclusive) directors, of whom at least two shall be independent non-executive directors.
- Article 5 Members of the Remuneration Committee shall be nominated by the chairman of the board, or by more than one-third of all directors, or by more than one-half of the independent non-executive directors, and shall be elected by a majority of the board of directors.
- Article 6 The Remuneration Committee shall have one convener, who shall also serve as the chairperson of the Remuneration Committee (the “**Chairperson**”), and who shall be an independent non-executive director. The Chairperson shall be elected from among the members of the Remuneration Committee and shall be reported to the Board for approval.
- Article 7 The term of office of the members of the Remuneration Committee shall be the same as that of the board of directors. Members shall be eligible for re-election upon expiry of their term of office.

Where a member of the Remuneration Committee ceases to be a director of the Company during his or her term, or where a member of the Remuneration Committee who is required to be an independent non-executive director no longer satisfies the independence requirements under the Company Law, the Articles of Association, the Administrative Measures for Independent Directors of Listed Companies, the GEM Listing Rules or other securities regulatory rules of the place where the shares of the Company are listed, such member shall automatically lose his or her qualification as a member of the Remuneration Committee, and the vacancy shall be filled by a person elected and approved by the board of directors in accordance with these terms of reference.

- Article 8 The Remuneration Committee may establish a working group as its daily executive body, which shall be responsible for providing information relating to the Company’s operations and materials relating to the persons subject to appraisal, organizing meetings of the Remuneration Committee and implementing relevant resolutions.

The working group shall primarily consist of relevant personnel from the human resources and remuneration management department, the general manager’s office, the finance department and the office of the board of directors.

Chapter 3 Duties and Authorities

Article 9 The Remuneration Committee is responsible for formulating and conducting performance assessments for directors, supervisors, and senior management and shall have the following primary duties and authorities:

- (1) to formulate remuneration plans or proposals based on the principal scope, duties and importance of the management positions of directors, supervisors and senior management and the remuneration levels of comparable positions in similar enterprises, and to make recommendations to the board of directors on the overall remuneration policies for and structure of all directors, supervisors and senior management of the Company, including but not limited to performance evaluation standards, procedures and major evaluation systems, principal reward and punishment schemes and systems, and on the establishment of formal and transparent procedures for formulating remuneration policies, and to supervise the implementation of such plans;
- (2) to review and approve the management's remuneration proposals in accordance with the corporate policies and objectives established by the board of directors;
- (3) to review the performance of directors, supervisors and senior management in the discharge of their duties and to conduct annual performance appraisals;
- (4) to supervise the implementation of the Company's remuneration system;
- (5) to make recommendations to the board of directors on the remuneration of individual executive directors, supervisors and senior management, including non-monetary benefits, pension rights and compensation payments (including compensation for loss or termination of office or appointment), and to make recommendations to the board of directors on the remuneration of non-executive directors;
- (6) to consider salaries paid by comparable companies, the time commitment and responsibilities involved, and employment conditions of other positions elsewhere in the Group;
- (7) to formulate or amend equity incentive plans and employee share ownership plans, and determine the entitlement granted to incentive participants and the conditions for vesting or exercise of such entitlements;
- (8) to review and approve the compensation payable to executive directors, supervisors and senior management for any loss or termination of office or appointment, to ensure that such compensation is consistent with the contractual terms; where it is not consistent with the contractual terms, such compensation shall be fair, reasonable;

- (9) to review and approve compensation arrangements relating to the dismissal or removal of directors due to their own misconduct, to ensure that such arrangements are consistent with the contractual terms; where they are not consistent with the contractual terms, such compensation shall be reasonable and appropriate;
- (10) to review arrangements relating to shareholding plans of directors, supervisors and senior management in connection with proposed spin-offs of subsidiaries;
- (11) to ensure that no director or any of his or her associates (as defined in the GEM Listing Rules) participates in determining his or her own remuneration, and where a director is also a member of the Remuneration Committee, his or her remuneration shall be determined by the other members of the Remuneration Committee;
- (12) to review and/or approve matters relating to share schemes as referred to in Chapter 23 of the GEM Listing Rules;
- (13) other matters as authorized by the board of directors; and
- (14) other matters as required by laws, administrative regulations, the GEM Listing Rules, other securities regulatory rules of the place of listing of the Company's shares and the Articles of Association.

If the board of directors does not adopt or does not fully adopt the recommendations of the Remuneration Committee, it shall record the opinions of the Remuneration Committee and the specific reasons for non-adoption in the board resolutions and make appropriate disclosure.

Article 10 The board of directors shall have the right to reject any remuneration plans or proposals that may prejudice the interest of shareholders.

Article 11 The Remuneration Committee shall consult the Chairperson of the board of directors and/or the chief executive officer (CEO) regarding remuneration proposals for other executive directors. If necessary, the Remuneration Committee shall be entitled to seek independent professional advice.

Article 12 The remuneration plans for directors and supervisors of the Company proposed by the Remuneration Committee shall be subject to the approval of the board of directors and may be implemented only upon the consideration and approval of the general meeting. The remuneration distribution plan for senior management of the Company shall be subject to the approval by the board of directors.

Pursuant to the GEM Listing Rules, the above service contracts of directors or supervisors which require shareholders' approval include: (i) service contracts with a term exceeding three years; or (ii) service contracts which expressly require the Company to give a notice period of more than one year or to pay compensation or other payments equivalent to more than one year's remuneration in order to terminate such contracts.

The Remuneration Committee shall give its opinion to the shareholders on the above service contracts which require shareholders' approval, advising whether the terms of such contracts are fair and reasonable, whether such contracts are in the interests of the Company and its shareholders as a whole, and how shareholders (other than those who are directors or supervisors with a material interest in such contracts and their associates) should vote.

Article 13 The Remuneration Committee shall be authorized by the board of directors to seek any necessary information regarding remuneration from the directors and senior management of the Company to perform its duties. Sufficient resources must be provided to the Remuneration Committee to perform its duties.

Article 14 The Chairperson of the Remuneration Committee or, if absent, another member of the Remuneration Committee (who must be an independent non-executive director) shall be required to attend the annual general meeting of the Company and respond to questions from shareholders regarding the activities and responsibilities of the Remuneration Committee.

Article 15 Members of the Remuneration Committee shall have the following rights and obligations:

- (I) to attend meetings on time and exercise voting rights on the meeting proposals;
- (II) to propose matters for discussion at meetings of Remuneration Committee;
- (III) to attend or observe relevant meetings of the Company and conduct investigations and obtain necessary reports, documents and information in discharging their duties as members of the Remuneration Committee;
- (IV) to fully understand the duties of the Remuneration Committee and their own responsibilities as a member therein, and to be familiar with the Company's operational management, business activities and development, ensuring that members possess the relevant capability to fulfill their duties as member of Remuneration Committee;
- (V) to devote sufficient time and energy to perform their duties; and

- (VI) other duties required under applicable laws, regulations, the GEM Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and these terms of reference.

Chapter 4 Decision-making Process

Article 16 The working group under the Remuneration Committee shall be responsible for the preliminary preparatory work for the decision-making process of the Remuneration Committee and shall be provided with the following information before each decision-making:

- (I) major financial indicators and fulfillment of operation objectives of the Company;
- (II) scope of responsibility and performance of main duties of the senior management of the Company;
- (III) fulfillment of indicators under the performance evaluation system for the directors and senior management;
- (IV) the operational performance of directors and senior management in respect of their business innovation capability and profit-making capability;
- (V) the relevant calculation basis for the remuneration distribution plans and distribution methods formulated based on the Company's performance.

Article 17 The Remuneration Committee shall conduct the following appraisal of directors and senior management based on the following procedures:

- (I) the directors and senior management of the Company shall report his or her work and self-evaluation to the Remuneration Committee of the board of directors;
- (II) the Remuneration Committee shall evaluate the performance of directors and senior management in accordance with the evaluation criteria and procedures;
- (III) to propose the amount of remuneration and the forms of incentives for directors and senior management based on the results of position performance evaluation and the remuneration distribution policy, and to submit the same to the Board of the Company after approval by voting.

Chapter 5 Rules of Procedures

Article 18 Meetings of the Remuneration Committee shall include regular meetings and extraordinary meetings. Regular meetings shall be convened at least once a year. Extraordinary meetings shall be convened as and when necessary, and shall be convened if:

- (1) the board of directors considers it necessary;
- (2) the Chairperson of the Remuneration Committee considers it necessary; or
- (3) two or more members propose to convene a meeting.

Article 19 A notice shall be given to all members three days before the date of a meeting of the Remuneration Committee. The notice shall include the form, time, venue, duration, agenda, time of issuance of the notice and relevant materials. Notice may be delivered by hand, mail, email or facsimile etc. In urgent circumstances where a meeting needs to be convened as soon as possible, notice may be given at any time by telephone or other oral means, provided that the chairman shall make an explanation at the meeting.

Article 20 The meeting shall be presided over by the chairperson of the Remuneration Committee, and in case he/she is unable to attend, he/she may appoint another member of the Remuneration Committee, or a majority of the members of the Remuneration Committee present may elect a member of the Remuneration Committee to preside over the meeting on his or her behalf.

Article 21 Members shall confirm receipt of meeting notices in a timely manner and provide relevant feedback, including whether they will attend the meeting and their arrangements.

Article 22 The quorum of a meeting of the Remuneration Committee shall be not less than two-thirds of the members. Each member shall have one vote. A resolution of the meeting must be passed by more than half of all the members of the Remuneration Committee. A meeting of the Remuneration Committee must be attended in person. A member who is unable to attend a meeting in person may appoint another member of the Committee in writing to attend and vote on his or her behalf. A member who fails to attend and does not appoint a proxy shall be deemed to have waived his or her voting rights at that meeting.

Article 23 Voting at meetings of the Remuneration Committee shall be conducted by way of poll. Provided that Members can fully express their opinions, resolutions may also be passed by way of written resolutions and signed by participating members.

- Article 24 A resolution signed in writing by all members of the Remuneration Committee shall also be valid, with the same effect as if it had been passed at a formally convened and held meeting of the Remuneration Committee.
- Article 25 The Remuneration Committee may invite directors, supervisors and other senior management of the Company to attend its meetings if necessary. Only members of the Remuneration Committee shall have the right to vote at a meeting of the Remuneration Committee.
- Article 26 The Remuneration Committee may, if necessary, engage an intermediary to provide professional advice on its decision-making at the cost of the Company.
- Article 27 When any subject of discussion of the Remuneration Committee relates to a member of the Remuneration Committee at a meeting, such member shall abstain from voting on such matter.
- Article 28 The procedures for convening of a meeting of the Remuneration Committee, its voting methods and the remuneration policies and distribution plans to be passed at such meeting must comply with the provisions of relevant laws, regulations, the GEM Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed, the Articles of Association and these terms of reference.
- Article 29 The Remuneration Committee shall keep minutes of the meetings. Members present at the meetings shall sign the minutes of the meetings that shall be kept for at least 10 years by the secretary of the board of directors of the Company or the secretary of the Remuneration Committee for review by each director. Draft and final versions of the minutes of the meetings of the Remuneration Committee shall be sent to all members of the Remuneration Committee within a reasonable time after the meetings, with the draft for the members to express their opinions and the final version for record purposes. The minutes shall be kept for a period of not less than 10 years.
- Article 30 Resolutions passed and voting results at a meeting of the Remuneration Committee shall be reported in writing to the board of directors of the Company.
- Article 31 Members of the Remuneration Committee present at a meeting shall keep confidential all matters discussed at the meeting and shall not disclose such information without authorization.

Chapter 6 Supplementary Provisions

- Article 32 These terms of reference shall be approved by the general meeting of the Company and shall come into effect upon the initial public offering of the H shares of the Company and the listing of such H shares on the GEM of The Stock Exchange of Hong Kong Limited.

- Article 33 If the relevant provisions of these terms of reference contravene with the national laws, regulations, rules, the GEM Listing Rules, other securities regulatory rules of the places where the shares of the Company are listed or the Articles of Association as enacted in the future, such relevant national laws, regulations, rules, the GEM Listing Rules, other securities regulatory rules of the places where the shares of the Company are listed and the Articles of Association shall prevail.
- Article 34 Unless otherwise specified, the terms “above”, “within” and “below” shall include the number itself; the terms “less than”, “beyond”, “lower than”, “more than” and “exceeding” shall exclude the number itself.
- Article 35 The board of directors shall be responsible for the interpretation of these terms of reference.
- Article 36 These terms of reference shall be considered and approved by the general meeting of the Company and shall come into effect from the date of the Company’s overseas initial public offering of shares (H shares) and listing on GEM of The Stock Exchange of Hong Kong Limited.