



Changsha Broad Homes Industrial Group Co., Ltd.

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

(Stock Code: 2163)

Changsha Broad Homes Industrial Group Co., Ltd.

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 a sound appraisal and remuneration management system for the directors and senior management of Changsha Broad Homes Industrial Group Co., Ltd. (the “**Company**”) and improve the corporate governance structure, the Company has established the remuneration and appraisal committee (the “**Committee**”) of the board of directors (the “**Board**”) of the Company 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 (the “**Hong Kong Listing Rules**”), the Articles of Association of Changsha Broad Homes Industrial Group Co., Ltd. (the “**Articles of Association**”), the Rules of Procedures for the Board of Directors of Changsha Broad Homes Industrial Group Co., Ltd. and other relevant laws, regulations and regulatory documents.
- Article 2 The Committee is a special executive body under the Board of the Company and is mainly responsible for formulating standards for the appraisal of the directors and senior management of the Company and implementing such standards for appraisal, as well as formulating and reviewing the remuneration policies and schemes for the directors and senior management of the Company.
- Article 3 The Committee shall be accountable to the Board and report to the Board.
- Article 4 For the purpose of these terms of reference, any reference to the “directors” shall represent all of the directors of the Company, and any reference to the “senior management” shall represent the general manager, deputy general manager, financial controller, secretary to the Board and other senior management personnel specified in the Articles of Association. These terms of reference are applicable to the Committee and relevant personnel and departments involved in these terms of reference.

Chapter 2 Composition and Organization of the Committee

- Article 5 The Committee shall consist of no less than three directors, and the majority of whom shall be independent non-executive directors.
- Members of the Committee shall be nominated by the chairman of the Board for election by the Board and those nominees receiving affirmative votes from more than fifty percent of all directors shall be duly elected.
- Article 6 The Committee shall have one chairman who shall be an independent non-executive director. The chairman shall be nominated by the chairman of the Board of the Company and his/her appointment shall be considered and approved by the Board.
- Article 7 The term of office of the Committee is the same as that of the corresponding session of the Board, and the terms of office of the members of the Committee are the same as that of the directors. Members may be re-elected when their terms of office expire. Where any member of the Committee, during his/her term of office, ceases to serve as a director of the Company or loses his/her independence as an independent non-executive director as required by the Hong Kong Listing Rules, he/she shall be disqualified as a member automatically. A member may not be removed without cause before the expiration of his/her term, unless there is any circumstance that the member shall not be in office in accordance with the laws, regulations, the Articles of Association or these terms of reference.
- Article 8 Members of the Committee may tender their resignations to the Board before the expiration of their terms of office. To resign, members of the Committee shall submit a resignation report to the Board and describe the reasons for his/her resignation and matters needed to be concerned by the Board of the Company therein. If the number of members of the Committee falls below the minimum number as provided herein, the resigned member shall continue to perform the relevant duties until an alternate member of the Board takes office.
- Article 9 The members of the Committee may be changed within their terms of office if proposed by the chairman of the Board and approved upon consideration by the Board.
- Article 10 A member of the Committee may hold membership of other special committees under the Board provided that he/she is able to perform his/her duties.
- Article 11 If the number or composition of members of the Committee fails to meet the requirements as provided herein, the Board shall arrange for making up the shortfall in accordance with the provisions in these terms of reference or the Articles of Association.

Article 12

With the coordination of the office of the Board, the human resources department of the Company, acting as the Committee's executive body, shall provide supports and services to the Committee and take on any jobs assigned by the Committee.

Chapter 3 Duties and Functions of the Committee

Article 13

The major duties and functions of the Committee shall be:

- (1) To make recommendations to the Board on the Company's remuneration policies and structure for all directors and senior management and on the establishment of a formal and transparent procedure for formulating such remuneration policies;
- (2) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (3) To determine the remuneration packages (including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) for all executive directors and senior management and to make recommendations to the Board on the remuneration for non-executive directors. The factors to be considered by the Committee include the requirements of relevant laws and regulations, remuneration paid by comparable companies, time commitment and responsibilities of the directors and senior management, employment conditions elsewhere within the Company and desirability of performance-based remuneration, etc;
- (4) To formulate administrative measures for the performance appraisal of the senior management of the Company, prepare appraisal plans and determine appraisal purposes;
- (5) To review and approve performance-based remuneration by making reference to the corporate objectives approved from time to time by the Board;
- (6) To examine and approve compensation payable to the executive directors and senior management for any loss or termination of office or appointment to ensure that the compensation conforms to relevant contractual terms or, in case the compensation does not conform to relevant contractual terms, is fair and reasonable and no undue burden is placed on the Company;

- (7) To examine and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that the arrangements conform to relevant contractual terms or, in case the arrangements do not conform to relevant contractual terms, are otherwise reasonable and appropriate;
- (8) To supervise the performance appraisal and remuneration evaluation for the responsible persons of the internal departments, branches and subsidiaries of the Company (other than the responsible person of the internal audit department);
- (9) To ensure that no director or any of his/her associates (as defined under the Hong Kong Listing Rules) is involved in deciding his/her own remuneration;
- (10) To examine the performance of duties by the directors and senior management and conduct annual performance appraisals of them;
- (11) To study the Company's policies and proposals in relation to salary, welfare, rewards and penalties, make recommendations to the Board and supervise the implementation of such policies and proposals;
- (12) To appoint professional bodies to assist in the performance of the above duties;
- (13) Other duties and functions as stipulated in the laws, regulations, relevant administrative regulations of the places where the shares of the Company are listed, including the Hong Kong Listing Rules, and these terms of reference and as delegated by the Board.

Article 14

The duties and functions of the chairman of the Committee shall be:

- (1) To convene and preside over regular and extraordinary meetings of the Committee;
- (2) To supervise and examine the work of the Committee and the implementation of the resolutions of the Committee;
- (3) To sign relevant documents of the Committee;
- (4) To report the work of the Committee to the Board of the Company;
- (5) To attend the annual general meeting (if the chairman of the Committee is unable to attend, another member of the Committee shall attend, or if such member is unable to attend, an appropriately appointed representative shall attend) and answer questions concerning the work and responsibilities of the Committee at the meeting;

- (6) Other duties and functions as stipulated in the laws, regulations, relevant administrative regulations of the places where the shares of the Company are listed, including the Hong Kong Listing Rules, and these terms of reference and as required by the Board.

Article 15

The major duties and functions of the members shall be:

- (1) To attend the meetings of the Committee on time and to express opinions on the matters deliberated at the meetings and exercise their voting rights;
- (2) To propose matters to be deliberated at the meetings of the Committee;
- (3) To attend relevant meetings of the Company as non-voting delegates or visitors, to conduct surveys and researches and to collect relevant information such as reports, documents and materials for the purpose of discharging their duties and functions;
- (4) To fully understand the duties and functions of the Committee and those of himself/herself as a member of the Committee and to acquaint himself/herself with relevant information on the operation and management, business activities and development of the Company to ensure his/her capacity for discharging duties and functions;
- (5) To fully ensure that he/she has sufficient working hours and energy to fulfil his/her duties and functions;
- (6) Other duties and functions as stipulated in the laws, regulations, relevant administrative regulations of the places where the shares of the Company are listed, including the Hong Kong Listing Rules, and these terms of reference and as delegated by the Board.

Article 16

The executive body of the Committee shall be responsible for the following preparatory works facilitating the decision-making process of the Committee:

- (1) To provide data on the Company's major financial indicators and fulfilment of operational targets;
- (2) To provide terms of reference of the senior management of the Company and their major duties;
- (3) To give information on the performance appraisal indicators of each director and senior management;
- (4) To present the estimates and basis used for formulating the remuneration and distribution plans of the Company based on the performance of the Company.

Chapter 4 Meetings of the Committee

- Article 17 Meetings of the Committee can be classified as regular meeting and extraordinary meeting.
- Article 18 The Committee shall convene at least two regular meetings every year, and shall issue a three-day prior written notice to all members.
- Article 19 The Committee may convene extraordinary meetings when necessary. In any of the following circumstances, within three days of the occurrence of the relevant facts, the chairman of the Committee shall issue a notice to convene a meeting:
- (1) in circumstances as deemed necessary by the Board;
 - (2) in circumstances as deemed necessary by the chairman of the Committee;
 - (3) when proposed by two or more members of the Committee.
- Article 20 The executive body of the Committee shall be responsible for delivering the notice of meeting in writing to each member of the Committee and relevant persons invited to attend the meeting three days prior to the date of the meeting (except in special circumstances where the obligation of advance notice may be exempted, but the chairperson of the meeting shall make an explanation at the meeting). The notice of meeting shall contain information on the method, time, venue, duration and agenda of the meeting, time of issuance of the notice, contact person of the meeting, contact method and relevant information.
- Article 21 Upon receipt of the notice of meeting, each member of the Committee shall provide confirmation and any relevant feedback (including but not limited to confirmation of attendance or absence and any other arrangement) via proper means in a timely manner.
- Article 22 The members of the Committee shall attend the meeting in person. If a member is unable to attend the meeting in person, such member shall, by signing and submitting a letter of proxy, authorize another member of the Committee to attend and express opinion at the meeting on his/her behalf. Such letter of proxy shall expressly state the scope and term of the authorization. Each member shall appoint only one other member as his/her proxy to vote on his/her behalf at each meeting. Where any member appoints two or more members to vote on his/her behalf, such appointment shall be deemed invalid. No member shall accept any such authorization from two or more other members concurrently.

The member attending the meeting on behalf of another member shall exercise the rights within the scope of authorization. If a member does not attend a meeting in person or authorize another member to attend such meeting on his/her behalf, nor does he/she submit any opinion in writing prior to the meeting, he/she shall be deemed to have waived his/her rights.

A member who is unable to attend a meeting in person may also exercise his/her rights by submitting in writing his/her opinion with respect to any matter on the meeting agenda, provided that such written opinion shall be submitted to the executive body of the Committee no later than the meeting.

Article 23 If any member of the Committee does not attend a meeting of the Committee in person or authorize another member of the Committee to attend such meeting on his/her behalf, nor does he/she submit any opinion in writing prior to the meeting on two consecutive occasions, or if such member fails to attend in person three-quarters of all meetings of the Committee held during any year, such member shall be deemed incapable of performing the duties of the Committee, and the Board may change the members of the Committee in accordance with these terms of reference.

Article 24 A meeting of the Committee may only be validly held when at least two members attend the meeting. A meeting shall be presided over by the chairman of the Committee, who may appoint another member of the Committee to do so on his/her behalf when he/she is unable to attend the meeting. In the circumstances where the chairman of the Committee neither fulfils his/her duties nor delegates his/her duties to another member of the Committee, any member of the Committee may report such circumstances to the Board of the Company and the Board of the Company shall appoint one member of independent non-executive director to perform the chairman's duties.

Chapter 5 Procedures of Meetings

Article 25 Each member of the Committee shall have one vote. More than half of the votes of all members are required to pass a resolution. Where the Committee is unable to form a valid resolution due to the abstention of members, such matter shall be submitted to the Board for consideration.

Article 26 In general, the Committee shall physically meet on site to hold a meeting. Method of voting shall be show of hands or poll. Under special circumstances, on the premise that the members of the Committee are able to sufficiently express their opinion, with the consent of the chairman of the Committee, meetings may be held by means of remote communication. Where a meeting is conducted by means of remote communication, the members of the Committee shall submit to the Board their written opinions with respect to the agenda items within the period prescribed by the notice of the meeting.

- Article 27 The agenda items shall be discussed during the meeting of the Committee. The members of the Committee shall explicitly, independently and fully express their opinion based on their judgment. In the case of any different opinion, such different opinion shall be stated in the minutes of the meeting to be presented to the Board.
- Article 28 The Committee may invite directors of the Company, relevant senior management, relevant experts of the Company or external experts, scholars, intermediary agencies and other relevant personnel to attend the meeting. Such personnel invited to attend the meeting shall give explanation and elaboration on any issues as required by any member of the Committee.
- Article 29 The Committee may, when deemed necessary and approved by the Board, appoint an external professional or agency to provide professional advice, and the reasonable costs incurred therefrom shall be borne by the Company.
- Article 30 If a member of the Committee is interested in any matter being considered by the Committee, such member shall refrain from the discussion and decision of such matter.
- Article 31 All personnel attending the meeting shall have the obligation to keep all matters discussed at the meeting confidential and shall not disclose any information relating thereto without authorization.

Chapter 6 Minutes and Summary of the Meetings of the Committee

- Article 32 Minutes shall be prepared for the meetings of the Committee. The minutes shall be prepared by the executive body of the Committee, and shall include the following information:
- (1) Serial number, method, date, venue and name of the chairperson of the meeting;
 - (2) The attendance of members personally or by proxy;
 - (3) Name and title of each attendee;
 - (4) Matters considered at the meeting;
 - (5) Main points made by the members of the Committee and other relevant attendees;
 - (6) Name of the person taking minutes;
 - (7) The minutes or resolutions of meetings shall specify the abstention of interested member(s) (where applicable).

The members of the Committee present at the meeting shall sign the minutes of the meeting of the Committee.

Article 33 After each meeting of the Committee, the executive body of the Committee shall prepare a meeting summary recording the considerations and discussions during the meeting. Copies of the meeting summary shall be submitted to the Board of the Company and sent to the members of the Committee, secretary to the Board, the human resources department of the Company and other relevant departments and personnel.

Article 34 Meeting minutes, meeting summary, letters of proxy, written opinions of the members of the Committee and other materials of the meeting shall be handled by the office of the Board in accordance with relevant requirements.

Chapter 7 Supplementary Provisions

Article 35 Unless otherwise stated, terms used in these terms of reference shall have the same meanings ascribed to them in the Articles of Association.

Article 36 For any matter not covered in these terms of reference, and in the event of any contradiction with any provisions of the laws, administrative regulations, regulatory documents, relevant administrative regulations of the places where the shares of the Company are listed, including the Hong Kong Listing Rules, or the Articles of Association as amended under lawful procedures promulgated after these terms of reference become effective, the provisions of such laws, administrative regulations, regulatory documents, relevant administrative regulations of the places where the shares of the Company are listed, including the Hong Kong Listing Rules, and the Articles of Association shall prevail. Amendments to these terms of reference shall be made forthwith and submitted to the Board for consideration and approval.

Article 37 These terms of reference shall be passed upon consideration and approval by the Board and become effective on the date of listing of the overseas-listed foreign shares of the Company on The Stock Exchange of Hong Kong Limited.

Article 38 The right of interpretation and amendment of these terms of reference rests with the Board of the Company.

Article 39 These terms of reference are available in both Chinese and English versions. In case of inconsistencies between the two versions, the Chinese version shall prevail.