



CQME

Chongqing Machinery & Electric Co., Ltd.*
重慶機電股份有限公司

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

(Stock Code: 02722)

Terms of Reference of the Remuneration Committee of the Board

Passed at the 2007 second extraordinary meeting of the first session
of the Board on 16 August 2007

Amended for the first time at the 2011 twelfth extraordinary meeting of the second session
of the Board on 25 November 2011

Amended for the second time at the 2012 fourth extraordinary meeting of the second session
of the Board on 11 July 2012

Amended for the third time at the 2025 first meeting of the seventh session
of the Board on 12 June 2025

Article 1 Definitions

For the purpose of these terms of reference (the “**Terms of Reference**”):

“**Board**” means the board of Directors of the Company.

“**Company**” means Chongqing Machinery & Electric Co., Ltd.*

“**Secretary of the Board**” means the Secretary of the Board of the Company.

“**Director(s)**” means members of the Board.

“**Group**” means the Company and its subsidiaries and associated companies at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its current subsidiaries and associated companies, the current subsidiaries and associated companies of the Company or the businesses operated by its current subsidiaries and associated companies or (as the case may be) its predecessor.

“Listing Rules” or “Rules”	means	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time.
“Articles of Association”	means	the Articles of Association of Chongqing Machinery & Electric Co., Ltd. *, as amended from time to time.
“Remuneration Committee” or “Committee”	means	the remuneration committee established by the Board according to the resolution which was approved under the Terms of Reference.
“Senior Management”	means	any other administrative personnel of the Group including Directors, chairman, chief executive, president, vice president and senior management of the Company appointed from time to time by the Board
“Shareholder(s)”	means	the person(s) or corporation(s) who holds shares of the Company.

“Remuneration”, in the context of the Terms of Reference, include (but not limited to) all salaries, bonuses, allowances, benefits (in cash or in kind), pension arrangements, reimbursements, compensations (including any compensation payable due to loss or termination of employment or appointment), incentives and share options.

Article 2 Constitution

The Board hereby resolves to establish a committee of the Board to be known as the Remuneration Committee.

Article 3 Composition and Membership of the Committee

The Committee shall be composed of three or more non-executive Directors. The Committee shall have one chairman who shall be an INED appointed by the Board. The Board of the Company may adjust the size of the Committee according to the needs of the Company, provided that such adjustment is in compliance with relevant regulatory requirements. The majority of the Committee should be independent non-executive Directors.

- a. all economic benefits (other than those to be gained as Shareholders) relating to any matter to be determined by the committee; or
- b. all potential conflicts of interest arising from their positions.

Any such member shall abstain from voting on the resolutions relating to such interest at the meeting of Remuneration Committee and abstain from attending the meetings convened for the purpose of discussing such resolutions, and resign from the committee (as required by the Board).

Article 4 Term of Office of the Committee

The term of office of the Committee shall be the same as that of the Board, and its members may be eligible for re-election upon the expiry of their term of office. Any member who, during his term of office, ceases to be a Director of the Company shall automatically lose his membership on the Committee and the Board shall make up for the number of members in accordance with relevant requirements of the Company.

In the event that a member submits his resignation which is then approved by more than half of the Board, or no longer serves as a non-executive Director, the Board may decide to terminate his term of office in advance.

Any change of the Committee members shall be, if involving change of directors of the Company simultaneously, subject to the approval of a general meeting in accordance with the relevant procedure for change of directors stipulated in the Articles of Association as well as announcements as required by regulatory requirements.

Article 5 Resignation of Members

- (1) Should any member resign during his term of office, such member shall submit to the Board of the Company a resignation letter, in which detailed explanations for resignation should be stated.
- (2) In the event that any resignation of member(s) may lead to disqualification of the Remuneration Committee of the Company (the members may be less than three) such resignation shall not take effect until the replacement member(s) elected by the Company take office.

Article 6 Committee Meetings

The Committee should hold at least one regular meeting every year, and extraordinary meetings if necessary.

A Committee meeting may not be held unless more than half of the members of the Committee are present. It may be held by telephone conferencing or video conferencing or other means.

Article 7 Committee Meetings by Way of Written Resolutions

The Committee may accept a written resolution in lieu of convening a meeting of the Committee and pass a resolution in writing without convening a meeting of the Committee. A written resolution shall be valid if the meeting materials have been delivered to all members and the number of members who have signed and agreed to it reaches the quorum required to make the resolution.

Article 8 Convening and Chairing of Meetings

The Committee meetings shall be convened by its chairman with assistance from the Secretary of the Board who may authorize the office of the Board to help deal with the convening, preparation and relevant affairs of the meeting.

Notice of a Committee meeting and related meeting agenda and documents should be delivered to every member at least three days in advance.

The Committee meeting shall be presided over by the chairman of the Committee.

Article 9 Resolutions of Meeting

Any resolution of a Committee meeting shall be subject to the approval of two-thirds or more of all members, with each member having one vote.

Voting at a Committee meeting may be taken by ballot or show of hands. Voting at a Committee meeting may be taken via telecommunications.

The resolutions of the meeting of the Committee shall be in writing and signed by the members attending the meeting respectively.

Article 10 Meeting Minutes

Minutes of meetings of the Committee shall be kept, and the minutes shall be complete and true. The office of the Board is responsible for the minutes of the Committee's meetings, and the first draft of the minutes of each meeting shall be provided to all members for review and finalization within one week after the end of the meeting. The original minutes shall be kept by the Secretary of the Board of the Company.

Without prejudice to the general duties of the Remuneration Committee specified by the Terms of Reference, the Remuneration Committee shall report to the Board all its decisions and proposals and inform the Board of its decisions and proposals on a regular basis, unless prohibited by laws or regulatory restrictions.

Article 11 Non-voting Attendance

When it deems necessary, the Committee may invite the Company's Management and other Directors of the Board to attend its Committee meetings. Such attendees have no voting rights.

Article 12 Supporting Offices of the Committee

The office of the Board shall provide coordination and support for the routine operation of the Committee.

Article 13 Primary Duties and Rights of the Committee

The primary duties of the Committee include:

- (1) To consult the Chairman of the Committee about remuneration resolutions of other executive Directors, to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and Senior Management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.
- (2) To have the delegated responsibility from the Board to determine the specific remuneration packages of all executive Directors 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, and make recommendations to the Board of the remuneration of non-executive Directors.

The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, and employment conditions elsewhere in the Company.

- (3) To review the remuneration set by it by reference to corporate goals and objectives resolved by the Board from time to time.
- (4) To review and approve the compensation payable to executive Directors and Senior Management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and reasonable and not excessive for the Company.
- (5) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are formulated in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.
- (6) To ensure that no director or any of his associates is involved in deciding his own remuneration.
- (7) To supervise other matters authorized by the Board.
- (8) To supervise other matters authorized under regulatory provisions.
- (9) To assess the performance of the Committee on an annual basis.
- (10) To seek independent professional advice as required, and the relevant costs incurred should be the responsibility of the Company.

- (11) To approve the terms of executive Directors' service contracts.
- (12) To conduct a performance evaluation of the Board at least once every two years.
- (13) The Remuneration Committee or an independent Board committee shall form a view in respect of service contracts that require Shareholders' approval and advise Shareholders (other than Shareholders who are Directors with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and its Shareholders as a whole and advise Shareholders on how to vote.

The Committee has the right to request the operating management of the Company to provide necessary documents and information for its performance of duties or explain issues of concern to the Committee.

Article 14 Obligations of the Committee Members

The obligations of Committee members shall, as required by regulatory requirements and provisions hereof, include but not limited to the following:

- (1) To faithfully perform their duties, reasonably safeguard the best interests of the Company and fairly protect the interests of all Shareholders, especially the interests of minority Shareholders.
- (2) To attend the Committee meetings in person and on time, or, when failing to attend, appoint another member to attend on his behalf by power of attorney which shall state the scope of authorization.
- (3) To carefully review and consider all documents and topics presented to members.
- (4) To maintain adequacy and effective communications with the Board and Management of the Company.
- (5) To ensure the time and energy devoted to the work of the Committee. The Committee members shall not take the same position in more than three (excluding the number) domestic or overseas listed companies, unless otherwise approved by the Board.

Article 15 Remuneration of the Committee Members

The remuneration of the Committee members shall be determined and approved by the Board. Payment may be made in the form of cash, shares or options. The members shall not receive, whether directly or indirectly, any consulting fees and advisory fees from the Company other than the following:

- (1) Remuneration received as a Director (including any allowances and other benefits paid to all Directors) or as an employee representative.
- (2) Remuneration for a position in any committee of the Board of the Company.
- (3) Pension or other deferred compensation for the services that have been rendered as a Director previously, and remuneration expected to be paid in the future (provided that such compensation is not contingent upon the provision of any other services by such Director in the future).

Article 16 Funds of the Committee

The Committee shall have funds and other resources necessary for the performance of its duties,

Article 17 Availability of the Terms of Reference

The Terms of Reference shall be made available upon request and published on the website of the Company so as to expound its duties and powers authorized by the Board.

Article 18 Validity and Interpretation of the Terms of Reference

The Terms of Reference shall take effect upon the approval by a Board resolution of the Company and the Board shall be responsible for explanation thereof. Matters not covered shall be implemented in accordance with the relevant regulatory requirements and the Articles of Association.

Article 19 Amendment and Termination of the Terms of Reference

Any amendment hereto or the termination hereof is subject to the approval of the Board through resolutions.

(If there is any inconsistency or ambiguity between the English and Chinese versions of the Terms of Reference, the Chinese version shall prevail.)