

LEMO SERVICES CO., LTD

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS

Chapter I General Provisions

Article 1 In order to further establish a sound remuneration and appraisal management system of Lemo Services Co., Ltd (the “Company”), and enhance its corporate governance structure, the Company has established a remuneration committee (the “Remuneration Committee”) of the board of directors (the “Board”) and formulated the Terms of Reference of the Remuneration Committee of the Board of Directors of Lemo Services Co., Ltd (the “Terms of Reference”) in accordance with the Company Law of the People’s Republic of China (中華人民共和國公司法) (the “Company Law”), the Securities Law of the People’s Republic of China (中華人民共和國證券法), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Appendix C1 to the Listing Rules (the “Corporate Governance Code”), the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company’s shares are listed and other relevant laws and regulations, as well as the Articles of Association of Lemo Services Co., Ltd (the “Articles of Association”).

Article 2 The Remuneration Committee is a dedicated working body under the Board, which is responsible for formulating the appraisal standards and conducting appraisal for the directors, supervisors and senior management of the Company, as well as responsible for setting up and reviewing the remuneration policy and plans for the same, and shall be accountable to the Board.

Article 3 The directors mentioned in the Terms of Reference refer to all directors (including independent non-executive directors) elected by the shareholders’ meeting; while the senior management refers to the general manager, deputy general managers, Board secretary, chief financial officer appointed by the Board, as well as other senior management as stipulated in the laws and regulations, the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company’s shares are listed, as well as the Articles of Association.

Chapter II Composition

Article 4 The Remuneration Committee shall consist of three directors, and the majority of the members shall be independent non-executive directors.

Article 5 The members of the Remuneration Committee shall be nominated by the chairman of the Board, more than half of the independent non-executive directors or one-third of all directors, and shall be elected by more than half of all directors of the Board. Upon approval of the proposal for the election of members, the new appointed members shall take office immediately after the conclusion of the meeting of the Board.

Article 6 The Remuneration Committee shall have a convener/chairman of the committee, who shall be an independent non-executive director. The chairman of the committee shall be appointed by the Board and take charge of the work of the committee. Where the chairman of the committee is unable or fails to fulfill his/her duty, an independent non-executive director shall be elected by at least half of the members of the committee to act in his/her stead.

Article 7 The term of office of the members of the Remuneration Committee shall be consistent with that of the members of the Board. Each member shall be eligible for re-election upon the expiry of his/her term of office.

During his/her term of office, if any member ceases to be a director of the Company, or any member with the capacity of an independent non-executive director ceases to have the independence as stated in the Company Law, the Articles of Association and the Listing Rules, his/her membership in the Remuneration Committee shall lapse automatically. A member of the Remuneration Committee may submit his/her resignation report in writing to the Board prior to the expiry of his/her term of office to resign from his/her position in the Remuneration Committee. The resignation report shall contain such reasons for resignation and matters which require the attention of the Board of the Company as necessary. Upon the loss of qualification or permission to resign, the position(s) vacated by such member(s) shall be filled by the Board according to applicable laws, regulations, normative documents, and the provisions of Articles 4 to 6 above. The term of office for the member filling the vacancy shall expire upon the expiration of his/her term of office as a director or an independent non-executive director.

Chapter III Duties and Authorities

Article 8 The Remuneration Committee under the Board of the Company shall be responsible for formulating the assessment standards for and conducting assessment of directors and senior management, formulating and reviewing the remuneration policies and schemes of directors and senior management, and making recommendations to the Board on the following matters:

- (I) to formulate remuneration policy, make recommendations to the Board and oversee the implementation in respect of the overall remuneration policy and structure of the directors, supervisors and senior management of the Company (including but not limited to the performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty schemes and systems, etc.) and set up formal and transparent procedures, based on the major scope, responsibility and importance of the respective positions of the directors, supervisors and senior management and the remuneration of the same position paid by other comparable companies, and supervise the implementation of the schemes;
- (II) to review and approve the management's remuneration proposals with reference to the Board's corporate policies and objectives;
- (III) to examine the performance of duties by the directors and senior management of the Company, conduct annual performance appraisals of them, and formulate annual incentives schemes which shall be submitted to the Board for approval and implementation;
- (IV) to supervise the implementation of the Company's remuneration policies;
- (V) to make recommendations to the Board on the determination of the remuneration packages of individual executive directors, supervisors and senior management, including benefits in kind, pension rights and compensation amounts (including compensation payable for loss or termination of office or appointment), and to make recommendations to the Board on the remuneration of non-executive directors;

- (VI) to formulate or change equity incentive plans, employee stock ownership plans, and conditions for incentive participants to be granted with and exercise interests;
- (VII) to consult the chairman of the Board and/or the general manager in respect of the remuneration proposed for other executive directors. The Remuneration Committee shall seek independent professional opinions if necessary;
- (VIII) to review and approve the compensation payable to executive directors, supervisors and senior management for any loss or termination of office or appointment, so as to ensure that such compensation is consistent with the contractual terms and is otherwise fair, reasonable and not excessive;
- (IX) to review and approve compensation arrangements relating to the dismissal or removal of directors for misconduct, so as to ensure that such arrangements are consistent with the contractual terms or are otherwise reasonable and appropriate;
- (X) to ensure that any director or any of his/her associate (as defined in the Listing Rules) does not participate in the determination of his/her own remuneration; and in relation to a non-executive director who is also a member of the Remuneration Committee, his/her remuneration shall be determined by other members of the Remuneration Committee;
- (XI) to review the service contracts of directors;
- (XII) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules;
- (XIII) to consider the remuneration paid by comparable companies, time commitment and duties and the employment conditions of other positions in the Group;
- (XIV) other matters authorized by the Board;
- (XV) other matters as prescribed by laws, administrative regulations, the Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company's shares are listed, and the Articles of Association.

The Board shall record and disclose in its resolutions the opinion of the Remuneration Committee and the specific reasons for not adopting or fully adopting the recommendations of the Remuneration Committee.

The Remuneration Committee should make available its Terms of Reference explaining its role and the authority delegated to it by the Board on the websites of The Stock Exchange of Hong Kong Limited and the Company.

The Remuneration Committee shall perform the main duties under Article 8 of the Terms of Reference based on the information provided by the human resources and administrative department of the Company.

The chairman of the Remuneration Committee or (if absent) another member of the Remuneration Committee (who must be an independent non-executive director) shall attend the annual general meeting of the Company and respond to the shareholders' enquiry on the activities and responsibilities related to the Remuneration Committee.

Article 9 The remuneration plans or schemes proposed by the Remuneration Committee shall not prejudice the interests of the shareholders. The Board shall have the right to reject any remuneration plans or schemes that prejudice the interests of the shareholders.

Article 10 The remuneration plans and schemes for the directors and supervisors of the Company proposed by the Remuneration Committee shall be approved by the Board and submitted to a shareholders' meeting for consideration and approval before implementation. The remuneration schemes for the senior management of the Company shall be reported to the Board for approval.

According to the Listing Rules, the above service contracts of directors or supervisors which are subject to shareholders' approval include:

- (I) service contracts with a term of over three years; or
- (II) contracts which may not be terminated by the Company unless at least one year's notice is given, or compensation or other amounts equivalent to at least one year's emoluments are paid.

The Remuneration Committee shall make comments on the above service contracts of directors or supervisors which are subject to the shareholders' approval, notify shareholders on whether relevant contract terms are fair and reasonable, whether relevant contracts are in the interests of the Company and its shareholders as a whole, and shall put forward opinions on how shareholders (other than those shareholders who are directors or supervisors and have a material interest in such service contracts, as well as associates thereof) should vote.

Article 11 The primary duties of the convener/chairman of the committee are:

- (I) to convene and preside over meetings of the committee;
- (II) to supervise and inspect the work of the committee;
- (III) to sign relevant documents of the committee;
- (IV) to report to the Board on the work of the committee;
- (V) to perform other duties and responsibilities as required or conferred by the laws, administrative regulations, the Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company's shares are listed, the rules of procedures and the Board.

Article 12 The rights and obligations of the committee members are:

- (I) to attend meetings of the committee as scheduled, express opinions on matters for discussion at the meetings, and exercise voting rights;
- (II) to suggest topics for discussion at the meetings of the committee;
- (III) to attend or sit-in the relevant meetings of the Company as audience and conduct investigative studies and obtain the required relevant information, such as reports, documents and information, for the purpose of performing duties;
- (IV) to fully understand the duties and responsibilities of the committee and his/her own duties as a member of the committee, familiarize with the operation and management conditions, business activities and development status of the Company relating to his/her duties, ensure his/her capabilities in performing his/her duties;
- (V) to provide full assurance for the working time and efforts required to perform his/her duties;
- (VI) to perform other duties and responsibilities as required or conferred by laws, administrative regulations, the Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company's shares are listed, the rules of procedures and the Board.

Chapter IV Rules of Procedure

Article 13 Meetings of the Remuneration Committee shall include regular meetings and extraordinary meetings.

The Remuneration Committee shall hold at least one regular meeting each year. Extraordinary meetings of the Remuneration Committee may be convened whenever the chairman of the committee deems necessary or upon the proposal of more than half of the members of the committee or recommendation of the chairman of the Board.

Article 14 The Remuneration Committee shall hold meetings on an irregular basis as proposed by the convener/the chairman of the committee. Notices of meetings and materials for meetings shall be delivered to all members of the committee three days prior to the meetings. Upon unanimous consent of all members of the committee, the requirement on such prior notice period may be exempted. Meetings shall be presided over by the convener/the chairman of the committee. The convener/the chairman of the committee may, when unable to attend the meeting, authorize another committee member who is an independent non-executive director to preside over the meeting in his/her stead.

Article 15 Meetings of the Remuneration Committee shall be held only when attended by more than two-thirds of its members, one of whom shall be an independent non-executive director.

Members who cannot attend a meeting may authorize, in writing, other members to attend and vote on their behalf. The power of attorney, containing the name of the proxy, the matters delegated, the scope of authorization and the validity period of such authorization, shall be signed or stamped by the appointer and submitted to the presider of the meeting no later than the time when voting takes place. Each Remuneration Committee member may only authorize another member to exercise voting rights on his/her behalf at a meeting. Where a member authorizes two or more other members to exercise voting rights on his/her behalf, such authorization shall be invalid.

A member who fails to attend a meeting of the Remuneration Committee in person or by appointing the proxy shall be deemed to have waived the voting rights at the meeting. Should a member fail to attend the meetings of the Remuneration Committee twice in a row, he/she shall be deemed to be unable to properly carry out his/her duties and the Board of the Company may remove him/her from his/her position as a member.

The resolutions made at the meetings shall be approved by more than half of all members, including those who did not attend the meeting. The voting at the meetings of the Remuneration Committee shall be by a show of hands or by poll and may be conducted through telecommunication when necessary. Each member shall have one vote.

Article 16 Meetings of the Remuneration Committee may be held by on-site meetings, teleconferences, video conferences, circulation of documents, facsimile, email or other appropriate means.

Article 17 After the presider of the meeting of the Remuneration Committee announces the commencement of a meeting, the corresponding content of the motions under each agenda will be discussed in proper order.

The members of the Remuneration Committee would be free to discuss the subject matters considered at the meeting, but order shall be maintained at the meeting. No speaker shall use any offensive or other insulting or threatening language. The presider of the meeting shall have the right to decide the time for discussion.

Matters proposed at the Remuneration Committee meeting are subject to collective consideration and voting on a case-by-case basis, i.e. all the proposals are considered by all members present and then are put to vote one by one according to the order of consideration.

Members present at the meeting shall consider the proposals and give full expression of their personal opinions with a conscientious and responsible attitude; members shall be responsible for their own votes.

Article 18 The Remuneration Committee may invite the directors, supervisors, senior management and external advisors of the Company to attend meetings of the Remuneration Committee when necessary. Persons attending the meetings may explain or illustrate the matters discussed at the meetings. Those who are not members of the Remuneration Committee, however, do not have voting rights.

Article 19 The Remuneration Committee may, where necessary, engage intermediaries to provide professional opinions on its decision-making, and the reasonable expenses incurred shall be paid by the Company.

Article 20 The convening procedures, voting method and Compensation Policy and Distribution Plan passed at the meetings of the Remuneration Committee shall comply with the provisions of relevant laws and regulations, the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company's shares are listed, the Articles of Association and the Terms of Reference.

Article 21 The Remuneration Committee shall keep minutes for its meetings. The members of the committee who attended the meetings shall sign on the minutes. The minutes of the meetings shall be kept by the secretary to the Board of the Company for no less than ten years.

The minutes of the meetings shall at least include the followings:

- (1) the date, venue and name of convener of the meeting;
- (2) the names of the attendees with specific notes on whether a proxy is appointed for the meeting;
- (3) the meeting agenda;
- (4) the key points of the members' speeches;
- (5) the voting method and poll results of each resolution or proposal (the voting results shall specify the number of votes cast in favor, against, or abstained);
- (6) other matters that need to be indicated and recorded in the meeting minutes.

Article 22 The resolutions and voting results passed at the meetings of the Remuneration Committee shall be reported in writing to the Board of the Company for its consideration.

Article 23 Members who participate in the voting on a resolution of the Remuneration Committee shall bear joint liability for compensation to the Company should such resolution be in violation of laws, regulations or the Articles of Association and cause the senior management to obtain improper benefits and the Company to suffer material damages. However, if a member is proven to have cast his/her votes against such resolution and it was so recorded in the meeting minutes, he/she may be exempt from the liabilities.

Article 24 The convener of the Remuneration Committee or another member designated by the convener shall follow and monitor the implementation of the resolutions of the Remuneration Committee and may request and supervise persons concerned to remedy the violations of the resolutions found. Should the persons concerned fail to follow such instructions, the convener of the Remuneration Committee or his/her designated member shall report the situation to the Board of the Company which will be responsible to manage the case.

Article 25 Members present at the meetings and persons attending such meetings shall perform a duty of confidentiality regarding matters discussed at such meetings. No unauthorized disclosure of such information shall be allowed, unless otherwise stipulated under relevant laws, regulations and/or rules of regulatory bodies.

Chapter V Avoidance System

Article 26 When a member of the Remuneration Committee or his/her immediate family members, or any company controlled by a member of the Remuneration Committee or his/her immediate family members has direct or indirect interests in the matters to be discussed at meetings of the Remuneration Committee, such member shall disclose the nature and extent of such interests to the Remuneration Committee as soon as possible.

Article 27 Upon occurrence of the situation mentioned in the preceding paragraph, the interested member shall provide detailed explanation of the relevant situation at meetings of the Remuneration Committee and explicitly state his/her self-recusal from voting. However, if other members of the Remuneration Committee unanimously conclude after discussion that such interests will have no material impact on matters to be voted on, the interested member may participate in voting.

Where the Board of the Company considers it is improper for the interested member in the preceding article to vote, it may revoke the voting results of the relevant resolution and request a re-vote on the relevant resolution by non-interested members.

Article 28 A meeting of the Remuneration Committee shall consider and resolve on resolutions without counting the interested members toward the quorum. If the minimum quorum of the meeting of the Remuneration Committee is not present after the recusal of interested members, all members (including the interested members) shall resolve upon the procedural matters regarding submission of the resolution to the Board of the Company for approval, and the Board of the Company shall consider such resolution accordingly.

Article 29 Minutes of meetings of the Remuneration Committee and resolutions passed at the meetings shall clearly state that the interested members are not counted toward the quorum and have not voted on such resolutions.

Chapter VI Remuneration Assessment

Article 30 Members of the Remuneration Committee may conduct necessary follow-up reviews of senior management performance during recess periods. All relevant departments within the Company (including but not limited to the human resources department and finance department) shall actively cooperate and promptly provide the necessary information to the members.

Article 31 The Company's human resources department is responsible for the preliminary preparation for the decision-making of the Remuneration Committee by providing the following relevant information:

- (1) the progress towards the Company's key financial targets and operational objectives;
- (2) the scope of work and principal duties of the Company's senior management;
- (3) the progress towards the targets involved in the performance evaluation system for directors and senior management of the Company;

- (4) information on the operational performance of directors and senior management of the Company with respect to their business innovation capability and profit-generating capability;
- (5) relevant calculation bases for the Company's remuneration distribution plan and allocation methods proposed in accordance with the Company's performance.

Article 32 The appraisal procedures for the directors and senior management of the Company by the Remuneration Committee are as follows:

- (1) directors and senior management of the Company shall make a presentation and self-evaluation to the Remuneration Committee;
- (2) the Remuneration Committee shall conduct performance evaluation of directors and senior management in accordance with performance evaluation criteria and procedures;
- (3) the remuneration amount and reward method for directors and senior management shall be proposed based on the results of the performance evaluation and according to the remuneration distribution policy, and shall be submitted to the Board of the Company.

Article 33 Members of the Remuneration Committee have the right to access the following:

- (1) annual business plan, investment plan and business objectives of the Company;
- (2) periodic reports of the Company;
- (3) financial statements of the Company;
- (4) various management systems of the Company;
- (5) resolutions and minutes of meetings of the shareholders' meetings, the Board, supervisory committee and manager's office of the Company;
- (6) other relevant information.

Article 34 Members of the Remuneration Committee may inquire of the senior management about any matter, and the senior management shall respond.

Article 35 Members of the Remuneration Committee shall evaluate the performance indicators, remuneration plan and remuneration level of the senior management, based on the information they have learned and obtained, and the progress towards the Company's operational objectives and with reference to other relevant factors.

Chapter VII Supplementary Provisions

Article 36 The Board shall be responsible for the interpretation of the Terms of Reference.

Article 37 The Terms of Reference shall be deliberated and approved by the Board, and shall come into force and be implemented from the day on which H Shares of the Company in the public offering are listed and traded on the main board of Hong Kong Stock Exchange.

Article 38 For any matters not covered by the Terms of Reference or in any event that the Terms of Reference contravene relevant laws, regulations, the Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company's shares are listed, as well as the Articles of Association, the latter shall prevail. In case of any inconsistency between the Terms of Reference and any future laws, regulations, the Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company's shares are listed, as well as the Articles of Association, the latter shall prevail.