

Beijing Jingcheng Machinery Electric Company Limited
Senior Management Remuneration and Performance
Appraisal Administrative Measures

Chapter 1 General provisions

Article 1 In order to further improve the incentive and restraint mechanism of the senior management (the “Senior Management”) of Beijing Jingcheng Machinery Electric Company Limited (the “Company”), achieve an organic integration of remuneration allocation, performance appraisal and the company results and shareholders’ value, These Measures have been formulated based on the Articles of Association and the relevant regulations of the state.

Article 2 These Measures apply to the senior management of the Company, including the general manager of the Company, the deputy general manager who is also serving as senior management of Tianhai Industrial, the deputy general manager who is not serving as the senior management of Tianhai Industrial etc.

The secretary and vice secretary of the Party

Committee, chairman of the labour union who have not been appointed with duties at the operational level but who actually perform duties at the operational level, or who have been included in the operational management level, as well other personnel that the Remuneration and Monitoring Committee considers that they should be treated according to these Measures, will be proposed by the Remuneration and Monitoring Committee in the annual remuneration allocation proposal, which can be executed according to these Measures after it is reported to the Board for consent and approval.

The directors, supervisors who have not been appointed with duties at the operational level but who actually perform duties at the operational level, or who have been included in the operational management level will be proposed by the Remuneration and Monitoring Committee in the annual remuneration allocation proposal. After the proposal is reported to the Board and Supervisory Committee, and a consent is obtained, it is submitted to the shareholders' meeting for decision, after it is approved, it can be executed according to these Measures.

Article 3 The performance appraisal of senior management follows the following principles:

1. Principles of openness, fairness and justice;
2. Principles of strategic orientation and clear targets;
3. Principles of integration of quantitative management and qualitative management;
4. Principles of integration of appraisal results and process control.

Article 4 These Measures will be implemented from the date of their approve for a validity of 5 years.

Chapter 2 Composition and determination of salary

Article 5 A salary system is implemented for the senior management. The annual salary of the senior management of the Company comprises of four parts: the basic annual remuneration, regular annual performance remuneration, excess portion of annual performance remuneration and special contribution income.

Article 6 The amount of the basic annual remuneration is determined by the following formula:

Basic annual remuneration = the annual basic salary
×position coefficient×50%

Among them, the annual basic salary is determined by the Remuneration and Monitoring Committee of the Company at the beginning of each year based on factors such as the remuneration level of the industry, the operating conditions and the first six months and the sum of remuneration of the Company etc.

The determination of the position coefficient is based on the position assessment value. Normally the position coefficient of the general manager is 1, the position coefficient of the deputy general manager (who is also serving as senior management of Tianhai Industrial) is 0.8-0.85.

The basic annual remuneration will be paid in equal amounts every month, the monthly payment amount of the basic annual remuneration is determined by the following formula:

Monthly payment amount = basic annual remuneration ÷ 12

Article 7 The amount of the regular annual performance remuneration is determined by the following formula:

Regular annual performance remuneration = annual

basic salary × position coefficient ×50%× appraisal coefficient

The appraisal coefficient is determined by the results of the performance appraisal, and its correlation with the appraisal result is as follows:

1. If the appraisal result is A, the appraisal coefficient will be 1.5;

2. If the appraisal result is B, the appraisal coefficient will be 1.2;

3. If the appraisal result is C, the appraisal coefficient will be 1;

4. If the appraisal result is D or below, the appraisal coefficient will be 0.8;

5. If the appraisal result is D or below, the appraisal coefficient will be 0.6.

Article 8 When the senior management has made significant outstanding contribution to the implementation of the strategies of the Company or has obtained significant managerial innovation, technological innovation, or has obtained remarkable achievements in investment, or the Company has obtained special praises from the government or industry, an income for special contribution

can be paid to the senior management. After the income for special contribution is reviewed by the Remuneration and Monitoring Committee of the Board, it is reported to the Board for review and approval, its amount should not exceed RMB100,000.

Chapter 3 Annual operational performance appraisal

Article 9 Organization structure of the senior management performance appraisal

1. The Board is the top decision-making organization of the remuneration and performance appraisal management of the senior management.

2. The Remuneration and Monitoring Committee of the Board is a task force group specially set up by the Board, which is mainly in charge of formulating the appraisal standards of the senior management of the Company. It is in charge of formulating, reviewing the remuneration policy and proposal of the senior management of the Company, it reports to the Board.

Article 10 The performance appraisal of the senior management is carried out basing on the performance contract, and the work flow for the

determination of the performance contract is as follows:

1. The performance contract is determined once a year.
2. At the beginning of each year the Remuneration and Monitoring Committee collects the relevant data of the industry about the performance contract. Taking into account of such data and the operational plan and annual key tasks of the Company, the Committee selects suitable result indicators, and determines important elements such as the level and weightings of the indicators. It will then draft the contract and submit it to the Board for review and approval, upon which the contract will be finalised.
3. The Remuneration and Monitoring Committee signs the performance contracts with the senior management members at the end of March every year, and the chairman of the Remuneration and Monitoring Committee or chairman of the Company will be the offeror.
4. In principle, once a performance contract is signed, it will not be changed. If changes are needed due to substantial changes in the objective situations, the Remuneration and Monitoring Committee will express its opinion on the revision, and after it is reported to the Board

and reviewed and finalised by the latter, it will be signed again.

Article 11 The major indicators of the performance contract include the key performance indicators and operational management indicators.

1. Key performance indicator: It represents the completion status of the economic indicators of the value creation function undertaken by the senior management. The critical result indicator adopts the quantitative management method, and sets up the basic objectives and the weighting of that indicator in the overall critical result indicators.

2. Operational management indicator: Appraisal is carried out on work performance of the senior management in the areas of management, market exploration, execution, communication, coordination and organizational work, the operational management indicator adopts the qualitative management method.

For the specific scoring methods of the critical result indicators and operational management indicators, please refer to the 《Jingcheng Company Performance Contract of Senior Management 》 .

Article 12 At the beginning of a year, the Remuneration and Monitoring Committee arranges an appraisal of the completion status of all the indicators in the performance contract of the senior management for the last year, the appraisal results are reported to the Board for review and finalisation.

If the person being assessed disputes strongly the appraisal of this round of performance appraisal, he can lodge a complaint to the Remuneration and Monitoring Committee of the Board. If he is not satisfied with his communication with the Remuneration and Evaluation Committee, he can submit the case to the Board for final judgment. After the Board has examined the facts involved in the complaint, it will make the final judgment.

Article 13 The final score of the performance contract equals to the sum of the score of each indicator multiplied by its weighting, which is:

Final score = \sum (Score of an indicator \times weighting of that indicator)

Among them, the weightings of two types of indicators in different positions are specified in the performance contract. The final score is rounded to the nearest cent.

Article 14 The appraisal result of the performance contract is determined by the range of final score, its correlation is as follows:

1. A final score above 120 is extremely excellent, the appraisal result is A;

2. A final score between 101 and 120 is excellent, the appraisal result is B;

3. A final score between 91 and 100 is very good, the appraisal result is C;

4. A final score between 81 and 90 is good, the appraisal result is D;

5. A final score between 61 and 80 is pass, the appraisal result is E;

6. A final score below 60 is poor, the appraisal result is F.

Chapter 4 Payment and management of the remuneration of the senior management

Article 15 The annual salary specified in these Measures is before tax, it is subject to personal income tax

according to the law. The portion of housing provident fund and all kinds of social insurances of the senior management member which should be borne by the individual himself is deducted from his basic annual salary by the Company and paid on his behalf; the portion that should be borne by the Company should be paid for by the Company. The statutory social insurance, pension imposed by the state adopt the principle of residence, they are paid to the place of the “Hu Kou” concerned.

Article 16 The basic remuneration of the senior management is paid monthly in the form of basic salary.

Article 17 The annual performance remuneration is realized in one-off according to the appraisal result, based on the principle of First-review-then-realize. No annual performance remuneration of the senior management can be provided for or paid in advance without the approval of the supervisory management unit.

Article 18 For details of the payment of the excessive portion of the annual performance remuneration of the senior management, please refer to Beijing Jingcheng Machinery Electric Company Limited Senior Management Incentive Fund Administrative Measures.

Article 19 The income for special contribution of the senior management is paid in full as a lump sum by cash on a yearly basis after it is approved by the Board.

Chapter 5 Supplementary provisions

Article 20 For any senior management member serving two or more posts, the higher of the annual salary standards will be used.

Article 21 If there are changes in the duties of the senior management during the year, the annual salary standards will be re-determined by the Remuneration and Evaluation Committee, and executed starting from the following month after the re-assignment of duties.

Article 22 The Remuneration and Monitoring Committee is responsible for the interpretation of these Measures.

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