



新疆天业节水灌溉股份有限公司

XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED*

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

(Stock Code: 840)

Terms of Reference and Procedure of the Remuneration Committee (Adopted and passed on 7 February 2006 and revised on 23 March 2012)

DEFINITION

Company	Xinjiang Tianye Water Saving Irrigation System Company Limited
Board	the board of directors of the Company
Committee	the remuneration committee under the Board of the Company
Director(s)	the director(s) of the Company
Independent Non-executive Director(s)	the independent non-executive director satisfies the independence requirement of the Listing Rules
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Senior Management	the category of personnel deemed by the Listing Rules to be the senior management of the Company

PURPOSE FOR ESTABLISHING THE COMMITTEE

The purpose of the Board to establish the Committee is to ensure that a formal and transparent procedure is in place to develop the remuneration package policy for the Director and the senior management.

THE COMPOSITION OF THE COMMITTEE

1. The Committee was passed and established by the Board on 7 February 2006.

MEMBERSHIP

2. The members of the Committee shall be appointed by the Board and shall not be less than three Directors with majority of them shall be Independent Non-executive Directors.
3. The Chairman of the Committee shall be appointed by the Board and shall be an Independent Non-executive Director. The chairman of the Committee shall have an additional or a casting vote in the case of an equality of votes.

4. The secretary of the Committee shall be the secretary, or the company secretary, of the Board of the Company.
5. Subject to the passing of the resolution of the Board, an appropriate Director other than the member of the Committee shall be appointed to be the member of the Committee and the replacement or removal of the member of the Committee.

DISCLOSURE OF INTERESTS

6. Every member of the Committee shall disclose to the Committee any personal financial interests in any matter resolved by the Committee, and any potential conflict of interest involving him as a result of such matters. Any member entitled to such interest or being involved in such potential conflict of interests shall abstain from the voting of the resolution of the Committee in respect of such interests or potential conflict of interest and avoid from involving in any discussion in respect of such resolutions. Resignation shall be submitted to the Committee if request is made from the Board.
7. Any Director, including any member of the Committee, shall not be involved in the resolution of determining his own remuneration.

PROCEDURE OF MEETING

8. Notice of Meeting:
 - (i) Unless agreed by all members of the Committee, the notice of the meeting shall not be less than seven days;
 - (ii) The meeting may be notified by any member to the secretary of the Committee and may be notified to every member by the secretary of the Committee in writing or otherwise. It may also be notified to other members directly by any member in writing or orally. The secretary of the Committee may also notify all members in writing to convene the meeting. The aforesaid "in writing" notification includes the notice carried by facsimile;
 - (iii) In case of the meeting convened by oral notice, the secretary of the Committee shall confirm in writing as soon as possible and before the convening of the meeting; and
 - (iv) In the written notice and the oral notice, the purpose, time, venue, date, agenda of the meeting shall be stated, and the related files shall be provided to the secretary of the Committee to review. The files and the agenda shall be delivered together and the agenda and the notice of the meeting, or the written notice confirming the oral notice, shall be delivered together.
9. The meeting could be convened with at least more than three members attending the meeting, and the majority of the members shall be the Independent Non-executive Directors. They may attend the meeting in person or by telephone conference or other communication equipment by means of which all persons participating in the meeting are capable of hearing each other.

10. The chairman of the Committee may propose to convene an interim meeting, but at least one meeting shall be convened annually, or the number of meeting required by the Listing Rules or the requirement of other regulatory authority applicable to the Company, to develop the policy in respect of the remuneration of the Executive Director and determine the remuneration package of each Director.

RIGHTS

11. The Board authorizes the Committee to:
 - 11.1 investigate the remuneration of the directors and senior management of other companies of comparable size of the same industry;
 - 11.2 seek independent legal opinions or professional consultation from independent third parties with other relevant experiences and talents if necessary, and the expenses will be borne by the Company;
 - 11.3 ensure any person with the relevant experiences and talents to attend the meeting of the Committee if the Committee thinks fit;
 - 11.4 acquire sufficient resources from the Company to fulfill its duties;
 - 11.5 review the service contracts entered into by the Company and the Directors and senior management before they are signed, and make recommendation on the change of the terms of such service contracts to the human resources department of the Company;
 - 11.6 request the Board to convene the general meeting to remove any director or senior management if there is evidence to show or suspect them failing their duties; and
 - 11.7 enable the Committee to reasonably executed its responsibility under Clause 12 and the effectiveness it thinks necessary and beneficial.

DUTIES

12. The duties of the Committee are:
 - 12.1 to submit to the Board the proposal of the procedure and standard of the appointment of the Director and senior management of the Company, and carry out appraisal towards the qualifications and the appointment conditions of the Directors and the senior management of the Company, and make recommendation on the appointment to the Bard of the Directors and the senior management;
 - 12.2 to make recommendation to the Board for the overall remuneration policies and structure of the Director and senior management of the Company and to develop these policies for the establishment of a formal and transparent procedure;
 - 12.3 to consider and implement the proposals such as remuneration, bonus and benefits of the Executive Directors and other senior management and provide comments;
 - 12.4 to determine the specific remuneration package of all Executive Directors and senior management on behalf of the Board, including non-monetary benefits, pension rights and compensation amount, including compensations for losing or terminating office or appointment, and make recommendation on the remuneration of the Non-

executive Directors. In this process, The factors which should be considered by the Committee include the remuneration paid by comparable companies, time commitment of the Director and the Director's duties, the employment conditions elsewhere in the Company and its subsidiaries (the "**Group**"), if the remuneration shall be performance-based, the performance of the Company and each individual Executive Director;

- 12.5 to make recommendation on the determination of the results assessment procedures of the remuneration of the Director and senior management of the Company, assessment of results, including the supervision and audit of the assessment findings of the Chief Executive Officer over other senior management, and review and approve the performance-based remuneration by reference to the goals and objectives passed by the Board from time to time;
- 12.6 to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive over the Company;
- 12.7 to review and approved compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- 12.8 to ensure that no Director or any of his associates is involved in deciding his own remuneration;
- 12.9 to advise the shareholders of the Company on how to vote with respect to any service contracts of the Directors that require shareholders' approval in accordance with the requirements under the Listing Rules applicable to the Company or any other requirements of other regulatory authorities;
- 12.10 to consult the Chairman and/or the Chief Executive Officer of the Company related to the remuneration level of all Executive Directors; and
- 12.11 to study other matters raised by the Board to the Committee.

OTHERS

13. The Committee should provide to the Board the relevant information as necessary to assist the Board to report to the Shareholders of the Company for the annual remuneration policy and the remuneration of individual Director pursuant to the Listing Rules or requirements of other regulatory authorities applicable to the Company.
14. The Committee should appoint at least one member of the Committee to attend the annual general meeting of the Company to answer the question raised by the shareholders of the Company relating to the remuneration and other remuneration policies of the Directors.

CIRCULATION OF MINUTES

15. The minutes of the Committee should be prepared and kept by the secretary of the Committee. Upon reasonable notice is given, any Director may review such minutes in any reasonable time. The secretary of the Committee should deliver within a reasonable

period of time after the end of the meeting for which he is the secretary the draft and final version of such minutes to the members of the Committee with the draft version for the members' comment and the final version for their record.

16. The Committee should report to the Board all of its decisions or recommendations.

THE SUSTAINABLE APPLICATION OF THE MEMORANDUM OF THE COMPANY

17. For anything not prescribed by the above requirements but the requirements of the procedure of the Board's meeting is prescribed by the Memorandum of the Company, shall be applicable to the procedure of the Committee meeting.

THE RIGHTS OF THE BOARD

18. All requirements of this resolution may be amended, supplemented and abrogated anytime under the premises of observing the Memorandum of the Company and the Listing Rules, including the Code on Corporate Governance Practices of Appendix 14, provided that such amendment, supplement and abrogation shall not affect before any related action is made the effectiveness of the resolutions passed or the actions adopted by the Committee.

This document is prepared in Chinese. In case of discrepancy, the Chinese version shall prevail.

* *For identification purpose only*