

Important Note: The following is an English translation of the Chinese version of the Terms of Reference of the remuneration committee of the Board. In case of any discrepancies or inconsistencies, the Chinese version shall always prevail.

AviChina Industry & Technology Co., Ltd.

Terms of Reference of the Remuneration Committee of the Board

According to the Rules (the “**Hong Kong Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Exchange**”) and the relevant laws, regulations and Articles of Association of China Aviation Technology Industrial Co., Ltd. (the “**Company**”), the remuneration committee (the “**Committee**”) is established under board of directors of the Company (the “**Board**”), the terms of reference of which are set as follows:

1. Composition

Members of the Committee shall be appointed and removed by the Board. The Committee shall comprise 1 to 2 non-executive directors and 2 to 3 independent non-executive directors, and the majority of the Committee members shall be independent non-executive directors. Certain professional consultants may also be engaged by the Committee. Members of the Committee should be nominated by the chairman of the Board or more than one third of the directors, be elected or removed by the Board with the approval by more than half of the directors. Chairman of the Committee shall be an independent non executed director.

2. Term

Term of the Committee shall be in line with the term of the Board, and members are eligible for re-election after the expiration of the term. If a member of the Committee ceases to serve as a director, he will be automatically disqualified to be a member of the Committee.

3. Meetings

The Committee meetings consist of regular meetings and extraordinary meetings.

(1) The regular meetings shall be held at least once a year, and shall normally be convened before the board meeting considering and approving the interim results. The meeting shall be chaired by the chairman of the Committee. Notice of the meeting shall be sent to all members of the Committee at least five working days before the meetings.

(2) The extraordinary meetings may be summoned by members of the Committee or the secretary of the Board after the approved by the chairman of the Committee.

(3) The meetings may be convened by way of on-site meetings, teleconference or

other ways which the Committee thinks appropriate.

(4) Resolutions resolved in a meeting shall be put down in writing and signed by the Committee members present.

(5) Minutes of a Committee meeting shall be properly recorded and shall be complete and authentic.

(6) The meetings shall be convened and chaired by the chairman of the Committee.

(7) The Company shall appoint a staff member to work as secretary of the Committee. Such person shall be in charge of preparing the information related to the meeting and the meeting minutes and drafting and safe-keeping of the resolutions of the meeting. The person could be the secretary of the Board or another person nominated by him.

4. Terms of reference

(1) To formulate the overall policies and structures of the remuneration of the directors, supervisors and senior management, and to make recommendations to the Board on new proposed 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, with delegated responsibility from the Board, the remuneration packages of individual directors (including non-executive directors) and senior management members, such remuneration packages should include benefits in kind, pension rights and compensation payments (which include any compensation payable for loss or termination of their office or appointment), and to make recommendations to the Board. The Committee shall consider various factors including salaries paid by comparable companies, time commitment, responsibilities and employment conditions of elsewhere in the group and whether performance based remuneration shall be adopted;

(4) To review and approve the 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;

(5) To review and approve 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;

(6) To verify annually the remuneration of directors, supervisors and senior management pursuant to the terms of their respective service contracts;

(7) To ensure that no director or any of his associates is involved in deciding his own remuneration;

(8) To report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.

(9) Chairman of the Committee or another member of the committee or his duly appointed delegate in his absence should attend and answer questions at the annual general meeting at the invitation of chairman of the Board.

(10) To attend to other matters authorized by the Board.

5. Necessary fund and other resources for the Committee to perform its duties

(1) The Committee should be provided with sufficient resources to perform its duties. The Company should provide the Committee with necessary conditions to perform its duties and should undertake to bear necessary and reasonable expenses for convening the meetings of the Committee. All departments of the Company should offer assistant to the Committee.

(2) The Committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors. The Committee should have access to independent professional advice if necessary and the Company should bear the fees.

The terms of reference of the Committee shall be published on the Exchange's website and the Company's website pursuant to the requirement of the Hong Kong Listing Rules.