Shanxi Installation Group Co., Ltd.
山西省安裝集團股份有限公司

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

(Stock Code: 2520)

Remuneration and Appraisal Committee — Terms of Reference

The board of directors (the "**Board**") of Shanxi Installation Group Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") has established a committee of the Board known as the Remuneration and Appraisal Committee (the "**Remuneration Committee**") with its constitution and particular duties set out below:

1. MEMBERSHIP

1.1. The Remuneration Committee shall be appointed by the Board.

1.2. The majority of Remuneration Committee members shall be independent non-executive directors of the Company.

1.3. The chairman of the Remuneration Committee shall be appointed by the Board. The chairman must be an independent non-executive director of the Company.

1.4. The term of each member of the Remuneration Committee shall be determined by the Board upon appointment.

2. SECRETARY OF REMUNERATION COMMITTEE

2.1. The company secretary of the Company (or any one of the joint company secretaries of the Company as may be designated by the Board, where applicable) shall be the secretary of the Remuneration Committee.

2.2. The Remuneration Committee may from time to time appoint any other person with appropriate qualification and experience to act as the secretary of the Remuneration Committee.

3. MEETINGS

3.1. At least one meeting shall be held each year.

3.2. Unless otherwise agreed or waived, notice confirming the venue, time and date of each regular meetings of the Remuneration Committee shall be sent to each member of the Remuneration Committee, and to any other person required to attend the meeting, at least 5 days before the date of the meeting.

3.3. The quorum of the Remuneration Committee meeting shall be two members, one of whom must be an independent non-executive director of the Company.

3.4. The members of the Remuneration Committee may attend meetings either in person, by telephone or through other electronic means of communication (which are available to all attended parties).

3.5. Resolutions of the Remuneration Committee shall be passed, in the case of a meeting, with a simple majority of votes.

3.6. Resolutions signed by all members of the Remuneration Committee will be treated as valid as if they are passed in a meeting of the Remuneration Committee.

3.7. Minutes of the Remuneration Committee meetings shall be kept by the secretary of the Remuneration Committee and shall be available for inspection by any member of the Remuneration Committee and/or any director of the Company at any reasonable time on reasonable prior notice. Draft and final versions of minutes of Remuneration Committee meetings shall be sent to all Remuneration Committee members for their comments and records within a reasonable time after the meeting. Once they are agreed, the secretary of the Remuneration Committee shall circulate the minutes and reports of the Remuneration Committee to all members of the Board.

4. ATTENDANCE OF MEETINGS

4.1. Upon invitation by the Remuneration Committee, the chairperson of the Board and/or the president or the vice president, external consultant and any other Board members may attend all or any of the meetings.

4.2. Only members of the Remuneration Committee shall be entitled to vote at a meeting.

5. DUTIES AND RESPONSIBILITIES

The primary duties of the Remuneration Committee are to make recommendations to our Board on the overall remuneration policy and structure relating to all directors and senior management of our Group; review performance-based remuneration; and ensure none of the directors of the Group determine their own remuneration. The specific duties and responsibilities of the Remuneration Committee are set out as follows:

5.1. to make recommendations to the Board on the Company's policy and structure for remuneration of all directors and senior management and on the formulation of a set of formal and transparent procedures for developing remuneration policy;

5.2. to review and approve the senior management's remuneration proposals with reference to the corporate goals and objectives formulated by the Board;

5.3. either:

(a) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or

(b) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

5.4. to make recommendations to the Board on the remuneration of non-executive directors;

5.5. to determine the remuneration packages of executive directors and senior management members, taking into account the salaries paid by comparable companies to similar positions, the time commitment required, responsibilities and employment conditions of other employees of the Group;

5.6. to review and approve compensation payable to executive directors and senior management of the Group for any loss or termination of office or appointment to ensure that they are consistent with contractual terms or are otherwise fair and reasonable;

5.7. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms or are otherwise fair and reasonable;

5.8. to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration;

5.9 to formulate or amend equity incentive plans and employee share ownership plans, determine the fulfillment of conditions for granting and exercising incentive awards, and provide recommendations to the Board;

5.10 to arrange share ownership schemes for directors and senior management in the subsidiaries proposed to be spun off, and provide recommendations to the Board; and

5.11. to review or approve matters relating to share schemes under Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

6. REPORTING OBLIGATIONS

6.1. After each meeting, the Remuneration Committee shall report formally to the Board in respect of all matters within its duties and responsibilities.

6.2. The Remuneration Committee should make available these terms of reference by publishing them on the Stock Exchange's website and the Company's website.

7. ANNUAL GENERAL MEETINGS

7.1. The chairman of the Remuneration Committee shall attend the annual general meetings of the Company and be prepared to respond to any shareholder enquiries in relation to the performance of the Remuneration Committee's duties. If the chairman of the Remuneration Committee is unable to attend, a member of the Remuneration Committee (who must be an independent non-executive director) shall attend the annual general meeting of the Company. Such member shall be prepared to respond to any shareholder enquiries in relation to the performance of the Remuneration Committee's duties.

8. AUTHORITY

8.1 The Remuneration Committee shall consult the chairperson of the Board and/or the president of the Company about their proposals relating to the remuneration of other executive directors.

8.2 The Remuneration Committee is authorised by the Board to obtain any remuneration information it requires from senior management of the Company when necessary in order to perform its duties.

8.3 The Remuneration Committee is authorised by the Board to obtain external legal or other independent professional advice in connection with its duties at the Company's expense when necessary.

Note: All such arrangements of obtaining external legal or other independent professional advice may be made by the company secretary.

8.4 The Remuneration Committee shall have access to sufficient resources in order to perform its duties.

If there is any inconsistency between the English version and the Chinese version of this term of reference, the Chinese version shall prevail.