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)

Audit 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 Audit Committee (the "**Audit Committee**") with its constitution and particular duties set out below:

1. MEMBERSHIP

1.1. The Audit Committee shall be appointed by the Board and should comprise a minimum of three members (the "**Members**").

1.2. The Members shall be appointed from amongst the non-executive directors of the Company. The majority of Members should be independent non-executive directors of the Company, at least one of whom is an independent non-executive director with professional qualifications or accounting or related financial management expertise.

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

1.4. A former partner of the Company's existing audit firm shall not act as a Member of the Audit Committee until two years from the date of him/her ceasing (a) to be a partner of such firm; or (b) to have any financial interest in such firm, whichever is the later.

1.5. The term of each Member of the Audit Committee shall be determined by the Board upon appointment.

2. SECRETARY OF AUDIT 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 Audit Committee.

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

3. MEETINGS

3.1. Meetings of the Audit Committee shall be held not less than two times a year. The external auditors may make the request to the chairman of the Audit Committee to convene a meeting of the Audit Committee.

3.2. Unless otherwise agreed or waived, notice confirming the venue, time and date of each regular meetings of the Audit Committee shall be sent to each member of the Audit 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 Audit Committee meetings shall be two Members, one of them should be an independent non-executive director.

3.4. The Members 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 Audit 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 Audit Committee will be treated as valid as if they are passed in the meeting of the Audit Committee.

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

4. ATTENDANCE OF MEETINGS

4.1. The Audit Committee shall attend meetings at least twice a year with the external auditors without executive Board members present (except those invited by the Audit Committee).

4.2. Upon invitation by the Audit Committee, the following persons may attend all or any of the meetings: (a) the head of Audit and Risk Control Department or (if absent) the representative of internal audit; (b) the financial controller; and (c) other Board members.

4.3. Only Members of the Audit Committee shall be entitled to vote at a meeting.

5. DUTIES AND RESPONSIBILITIES

The primary duties of the Audit Committee are to make recommendations to our Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company.

Relationship with the external auditors

5.1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any matters in relation to its resignation or dismissal;

5.2. to review and monitor external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

5.3. to discuss with external auditors the nature and scope of the audit and reporting obligations before audit procedure commences;

5.4. to develop and implement policy on engaging external auditors to supply non-audit services. For this purpose, "external auditors" include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;

5.5. to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

5.6. to monitor the completeness of financial statements, annual reports and accounts, half-yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained therein. In reviewing these reports before making submissions to the Board, the Audit Committee shall pay particular attention to the following matters:

(a) any changes in accounting policies and practices;

(b) areas involving major judgment;

(c) significant adjustments resulting from the audit;

(d) going concern assumptions of the enterprise and any qualified opinions;

(e) compliance with accounting standards; and

(f) compliance with the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and legal requirements in relation to financial reporting;

5.7. in regard to the duties under paragraph 5.6 above,

(a) Members of the Audit Committee should liaise with the Board and senior management of the Company;

(b) the Audit Committee must meet, at least twice a year, with the external auditors of the Company; and

(c) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, staff of the Audit and Risk Control Department or external auditors;

Overseeing the Company's financial reporting system and internal control procedures

5.8. to review the Company's financial controls, internal control and risk management systems;

5.9. to discuss the risk management and internal control systems with the management and to ensure that the management has performed its duty to establish effective risk management and internal control systems. The discussion

should include the adequacy of resources, staff qualifications and experience, training programmes and budget allocated to the Company's accounting and financial functions;

5.10. to consider major investigation findings and managements' response to these findings in relation to internal control matters as delegated by the Board or on its own initiative;

5.11. where an internal audit function exists, to review the internal audit procedure, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

5.12. to review the Group's financial and accounting policies and practices;

5.13. to review external auditors' explanation letter in relation to audit matters to the management, any material queries raised by the external auditors to management about accounting records, financial statements or control system and the managements' response;

5.14. to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

5.15. to report to the Board on the matters set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") in Appendix C1 of the Listing Rules;

5.16. to consider other matters, as required by the Board, to be performed by the Audit Committee;

Exercising the authority of the Supervisory Committee specified in the Company Law of the People's Republic of China

5.17. to review the Company's financial position;

5.18. to supervise the conduct of directors and senior management in the performance of their duties, and to propose the dismissal of any director or senior management who violates laws, administrative regulations, the Articles of Association, or resolutions of the general meeting;

5.19. to demand rectification from directors and senior management when the acts of directors and senior management are harmful to the Company's interest;

5.20. to propose convening an extraordinary general meeting, and to convene and preside over the general meeting when the Board fails to perform its duties of convening and presiding over the general meeting as required by the Company Law;

5.21. to submit proposals to the general meeting;

5.22. to initiate proceedings against directors and senior management in accordance with the provisions of Article 189 of the Company Law of the People's Republic of China;

5.23. to exercise other duties and powers provided by the Articles of Association.

Others

5.24. to review anonymous whistle-blowing arrangements by employees of the Company may use to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

5.25. to act as the key representative body for overseeing the Company's relations with external auditors;

5.26. where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken different view(s);

5.27. to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;

5.28. to perform the Company's corporate governance functions;

5.29. to review and monitor the training and continuous professional development of directors and senior management of the Company;

5.30. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

5.31. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and

5.32. to review the Company's compliance with the Code and disclosure in the Corporate Governance Report of the Company.

6. REPORTING RESPONSIBILITIES

6.1. After each meeting, the Audit Committee shall report formally to the Board on all matters within its duties and responsibilities.

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

7. ANNUAL GENERAL MEETINGS

7.1. The chairman of the Audit Committee shall attend the annual general meetings of the Company and be prepared to respond to any shareholder enquiries on the Audit Committee's performance of its duties. If the chairman of the Audit Committee is unable to attend, a Member of the Audit 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 on the Audit Committee's performance of its duties.

8. AUTHORITY

8.1. The Audit Committee is authorised by the Board to inspect all accounts, reports and records of the Company.

8.2. In order to fulfill its duties, the Audit Committee has the right to request the management of the Company to provide any data in relation to the financial position of the Company, its subsidiaries and associates.

8.3. The Audit Committee is authorised by the Board to obtain any financial information it requires from any employee of the Group, to require any of them to prepare and supply financial information and respond to enquiries raised by the Audit Committee.

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

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

8.5. The Audit 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 document, the Chinese version shall prevail.