

Terms of Reference of Remuneration Committee

1. Establishment of the Committee

The board of directors (the “**Board**”) of Shanghai Industrial Holdings Limited (“**SIHL**” or the “**Company**”) resolved to establish a Remuneration Committee (the “**Committee**”) at a Board meeting held on 30 August 2004.

2. Objectives for the establishment

In accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”), the Committee was established with an objective to set up formal and transparent procedures for setting policy on executive directors’ remuneration and the remuneration packages for all directors and senior management.

3. Composition of the Committee

3.1 The Committee comprises at least five members including all independent non-executive directors and two representatives from the management.

3.2 The members and chairman of the Committee shall be appointed by the Board.

4. Secretary of the Committee

The company secretary of SIHL shall act as the secretary of the Committee and shall be responsible for matters relating to Committee meetings and keeping minutes.

5. Meetings and Quorum

5.1 The quorum for a Committee meeting shall be three members. In the absence of the Committee chairman, the Committee members present shall elect one of their numbers to chair that meeting.

5.2 All other Board members are entitled to be present at the Committee meetings and shall attend the meetings if invited by the Committee.

5.3 The Committee may convene a meeting as and when necessary or transact business by means of resolutions in writing signed by all the Committee members, but in any case, meetings shall be held not less than once a year.

- 5.4 The agenda and related board papers should be sent in full to all members of the Committee in a timely manner and where practicable at least 3 days before the intended date of a Committee meeting (or such other period as agreed by the Committee).
- 5.5 The place of the Committee meeting shall be the conference room of the Company (or such other place as agreed by the Committee). Meetings of the Committee may be held by telephone conference if required.
- 5.6 When remuneration and other related matters in respect of any member(s) or attendee(s) are being discussed at a Committee meeting, such member(s) or attendee(s) shall not be present at the meeting.
- 5.7 Minutes of Committee meetings should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Committee members or dissenting views expressed. Draft and final versions of minutes of Committee meetings should be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting is held.
- 5.8 Full minutes of Committee meetings should be kept by the Committee secretary. Committee members are entitled to have access to the minutes.

6. Responsibilities of the Committee

- 6.1 The Committee is a standing committee under the Board. It discharges its duties under the terms of reference so delegated by the Board, reports and makes recommendations to the Board.
- 6.2 The Committee shall be responsible to review and consider the overall remuneration policy and structure of the Company as proposed by the Executive Committee of the Company, and makes appropriate recommendations to the Board and monitors the effectiveness in carrying out the policy.
- 6.3 The Committee shall make recommendations to the Board on the Company's policy and structure for all directors' and senior management's remunerations and on the establishment of formal and transparent procedures for developing remuneration.

- 6.4 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.
- 6.5 The Committee should determine with delegated responsibility, the remuneration packages of individual executive directors and senior management; or 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.
- 6.6 The Committee shall make recommendations to the Board on the remuneration of non-executive directors.
- 6.7 The Committee should consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.
- 6.8 The Committee shall review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.
- 6.9 The Committee shall 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.
- 6.10 The Committee shall review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they consistent with contractual terms and are otherwise reasonable and appropriate.
- 6.11 The Committee shall ensure that no director or any of their associates is involved in deciding that director's own remuneration.
- 6.12 The Committee shall consider other matter, as delegated by the Board from time to time.

7. Authority of the Committee

- 7.1 The Committee is authorized by the Board to investigate any activity within its terms of reference.
- 7.2 The Committee is authorized by the Board to invite relevant personnel within the Company to attend Committee meetings, and to obtain any information that it requires from any department of the Company if it considers necessary, such that the Committee will be provided with sufficient resources to discharge its duties.
- 7.3 The Committee is authorized by the Board to obtain information that it requires from relevant department(s) of the Company regarding the remuneration of directors and senior management and surveys made on market remuneration level, if it considers necessary, in order to discharge its duties.
- 7.4 The Committee is authorized by the Board to seek external legal or other independent professional advice and if it considers necessary, and to invite outside parties with relevant experience and expertise to attend meetings, at the Company's expense.
- 7.5 Taking into account the practical situation and the requirement of the Company, the Committee is authorized by the Board to establish sub-committee. All acts done by the sub-committee as authorized shall have the like force and effect, as if done by the Committee. The Committee will be responsible for all such acts and report to the Board.

8. Others

- 8.1 The chairman of the Committee should attend the annual general meeting or in the absence of the chairman of the Committee, another member of the Committee or failing this his duly appointed delegate, to be available to answer questions raised by the shareholders.
- 8.2 Taking into account the practical situation of the Company, the Committee may from time to time refer to the applicable rules and regulations as required under the Listing Rules and the general market practice, to make recommendations to the Board for revision of the terms of reference of the Committee.

- 8.3 The Company should disclose the director's remuneration policy, details of any remuneration payable to members of senior management by band and other remuneration related matters in its annual reports.
- 8.4 The rules and proceedings of Committee meetings shall be governed by the provisions contained in the Company's Articles of Association for regulating the meetings and proceedings of Directors.
- 8.5 The Committee shall include its terms of reference on the Stock Exchange's website and SIHL's website.