

**CIG SHANGHAI CO., LTD.**  
**TERMS OF REFERENCE OF THE REMUNERATION AND**  
**EVALUATION COMMITTEE OF THE BOARD**

**CHAPTER I GENERAL PROVISIONS**

**Article 1** In order to further establish and improve the performance evaluation and remuneration management system of the directors (the “Directors”, each a “Director”) (non-independent Directors) and senior management of CIG SHANGHAI CO., LTD. (the “Company”) and improve the corporate governance structure, the Company has established the Remuneration and Evaluation Committee (the “Committee”) of the board (the “Board”) of Directors with these terms of reference (the “Terms of Reference”) in compliance with the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange Listing Rules”), the Articles of Association of CIG SHANGHAI CO., LTD. (the “Articles of Association”), the Rules of Procedure for the Board of Directors of CIG SHANGHAI CO., LTD., and other relevant provisions.

**Article 2** The Remuneration and Evaluation Committee was established by the Board in accordance with the resolutions of the general meeting. It is mainly responsible for formulating the appraisal standards for the Company’s senior management members and conducting evaluation. It is responsible for formulating and reviewing the remuneration policies and plans of the Company’s Directors and senior management members, and is accountable to the Board.

**Article 3** In these Terms of Reference, the Directors refer to the chairman of the Board and the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) who receive remuneration from the Company. The senior management members include the general manager, the deputy general managers, secretary to the Board and the chief financial officer appointed by the Board.

**CHAPTER II COMPOSITION**

**Article 4** The Remuneration and Evaluation Committee shall comprise three Directors, of whom the majority shall be independent Directors.

**Article 5** The members of the Remuneration and Evaluation Committee shall be nominated by the chairman of the Board or more than one-half of the independent Directors or one-third of all Directors, and shall be elected by the Board.

**Article 6** The Remuneration and Evaluation Committee shall have one chairman (convener), who shall be an independent Director and a member of the Committee, responsible for leading the work of the Committee. The chairman shall be elected from among the members and shall be reported to the Board for the approval of appointment.

**Article 7** The members of Remuneration and Evaluation Committee shall serve for the same term as the Board. The members are eligible for re-election upon expiry of the term. During the period, if any member ceases to serve as a Director of the Company or a member who should have the status of an independent Director no longer possesses the independence as required by laws, regulations and regulatory documents, the securities regulation rules of the place where the Company’s shares are listed and the Articles of Association, he/she will automatically lose his/her membership, and the Committee will replenish the number of members in accordance with the provisions of Articles 4 to 6 above.

**Article 8** The Remuneration and Evaluation Committee shall establish a working group, which shall be responsible for providing the relevant information on the operation of the Company and the relevant information on the personnel to be appraised, preparing for the meetings of Remuneration and Evaluation Committee and implementing the relevant resolutions approved by the Remuneration and Evaluation Committee.

### CHAPTER III DUTIES AND AUTHORITIES

**Article 9** The main duties and authorities of the Remuneration and Evaluation Committee include:

- (1) to establish the remuneration plans or programs, policies and structure based on the main scope, responsibilities and importance of the management positions of Directors and senior management, as well as the level of remuneration of the relevant positions in other related corporations, and to set up a formal and transparent procedure for the formulation of the said remuneration plans or programs and to make recommendations to the Board;
- (2) to review and approve the management's remuneration proposals in relation to the Board's corporate goals and objectives;
- (3) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management members, including non-monetary benefits, pension rights and compensation payments, including any compensation payable for loss of office or termination of their appointment or engagement;
- (4) to make recommendations to the Board on the remuneration of non-executive Directors;
- (5) to consider remuneration paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (6) to review and approve any compensation payable to executive Directors and senior management for any loss or termination of their office or appointment to ensure that it is consistent with contractual terms and is otherwise fair, reasonable and not excessive;
- (7) to review and approve compensation arrangements relating to dismissal or removal of Directors for their misconducts to ensure that it is consistent with contractual terms and is otherwise reasonable and appropriate;
- (8) to ensure that no Director or any of his/her associates (as defined in the Hong Kong Stock Exchange Listing Rules) is involved in deciding his/her own remuneration;
- (9) to consider and/or approve matters relating to the share scheme as described in Chapter 17 of the Hong Kong Stock Exchange Listing Rules;
- (10) other matters as required by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association of the Company.

The Remuneration and Evaluation Committee makes recommendations to the Board on the following matters:

- (1) the remuneration of Directors and senior management;
- (2) the formulation or amendment of equity incentive plans, employee stock ownership plans, and the granting of rights to incentive recipients and the achievement of conditions for the exercise of such rights by incentive recipients;
- (3) the arrangement of stock ownership plans for Directors and senior management members in the event of a proposed spin-off of a subsidiary;
- (4) other matters as required by laws, administrative regulations, regulations of the CSRC and these Articles of Association.

**Article 10** The main duties of the chairman of the Remuneration and Evaluation Committee are as follows:

- (1) to convene and preside over the meetings of the Committee;
- (2) to supervise and inspect the work of the Committee and the implementation of the resolutions of the Committee;
- (3) to sign the relevant documents of the Committee;
- (4) to report the work of the Committee to the Board of the Company;
- (5) to attend the Company's annual general meeting and answer questions raised by shareholders on matters relating to the duties of the Committee. If the chairman of the Committee is unable to attend the annual general meeting, other members or a duly appointed representative should be present;
- (6) to perform other duties required or delegated by the laws, regulations, normative documents of the State, the securities regulatory rules of the place where the Company's shares are listed, the Articles of Association, these Terms of Reference and the Board.

**Article 11** The rights and obligations of the members of the Remuneration and Evaluation Committee are as follows:

- (1) to attend the meetings of the Remuneration and Evaluation Committee as scheduled, express opinions on matters discussed at the meetings and exercise voting rights;
- (2) to propose topics to be discussed at the meetings of the Remuneration and Evaluation Committee;
- (3) to attend or listen to relevant meetings of the Company, conduct investigation and research, and obtain necessary reports, documents, materials and other relevant information for performing duties;
- (4) to fully understand the responsibilities of the Remuneration and Evaluation Committee and the responsibilities as a member of the Remuneration and Evaluation Committee, to be familiar with the Company's operation and management, business activities and development relevant to his/her responsibilities, and to ensure his/her ability to perform the responsibilities;

- (5) to fully assure his/her time and energy at work for the performance of duties;
- (6) Other functions and powers required to perform or delegated by the laws, regulations, normative documents of the State, the securities regulatory rules of the place where the Company's shares are listed, the Articles of Association, these Terms of Reference and the Board.

**Article 12** The Board has the right to veto remuneration plans or proposals that are detrimental to the interests of shareholders.

**Article 13** The remuneration plan for Directors of the Company proposed by the Remuneration and Evaluation Committee shall be reported to the Board for consent and then submitted to the shareholders' general meeting for approval before implementation. The remuneration distribution plan for senior management of the Company shall be submitted to the Board for approval.

#### **CHAPTER IV DECISION-MAKING PROCEDURE**

**Article 14** The working group under the Remuneration and Evaluation Committee shall be responsible for the preliminary preparations for the decision-making of the Remuneration and Evaluation Committee, and providing materials on the relevant aspects of the Company:

- (1) providing information on the Company's major financial indicators and the achievement of business objectives;
- (2) the scope of work and main responsibilities of the Directors and senior management of the Company;
- (3) providing information on the completion of relevant indicators in the performance appraisal system for Director and senior management positions;
- (4) to provide the relevant calculation basis for formulating the Company's remuneration distribution plan and distribution method based on the Company's performance.

**Article 15** The evaluation procedures for Directors and senior management by the Remuneration and Evaluation Committee:

- (1) The Remuneration and Evaluation Committee determines the evaluation indicators and evaluation methods for Directors and senior management at the beginning of each year according to the actual circumstances;
- (2) The Company's Directors and senior management shall make a debriefing and self-assessment to the Remuneration and Evaluation Committee of the Board after the end of each year;
- (3) The Remuneration and Evaluation Committee shall conduct performance appraisal on the Directors and senior management according to the performance appraisal standards and procedures;
- (4) To propose the amount of remuneration and the method of reward for senior management members based on the performance appraisal results of job positions and the remuneration distribution policy, after approval by voting, the proposal will be submitted to the Board.

The Remuneration and Evaluation Committee shall publish its terms of reference on the HKEXnews website of The Stock Exchange of Hong Kong Limited and the Company's website to explain its role and the authorities delegated to it by the Board.

## **CHAPTER V RULES OF PROCEDURE**

**Article 16** The Remuneration and Evaluation Committee shall hold meetings every year according to its actual needs. A meeting may be convened when two or more members propose or when the chairman deems necessary, a notice shall be given to all members at least three days before the meeting. Under special circumstances, the Remuneration and Evaluation Committee may convene a meeting at any time, but it must ensure that a notice shall be sent to all members in a timely and effective manner. The chairman shall preside over meetings, if the chairman is unable to attend, he/she may authorize another member (an independent Director) to preside over the meeting.

**Article 17** A meeting of the Remuneration and Evaluation Committee shall be held only when more than two-thirds of the members are present, each member has one vote, and resolutions of the meeting must be passed by more than half of all the members. If a member is unable to attend a meeting, he/she may authorize another member in writing to attend on his/her behalf, and such presence at the meeting by proxy is deemed to be present in person.

**Article 18** Voting at a meeting of the Remuneration and Evaluation Committee shall be conducted by a show of hands or by poll. A meeting may be convened by using the method of voting by communication, and the resolution must be signed for confirmation after voting.

**Article 19** When necessary, the Remuneration and Evaluation Committee may invite the Company's Directors and senior management to attend the meeting.

**Article 20** If necessary, the Remuneration and Evaluation Committee may engage intermediaries to provide professional opinions on its decision-making and the expenses will be paid by the Company.

**Article 21** When the issues relating to members of the Committee are discussed at the meetings of the Remuneration and Evaluation Committee, the parties concerned shall withdraw.

**Article 22** The convening procedures and voting methods of a meeting of the Remuneration and Evaluation Committee, as well as the remuneration policy and distribution plan approved at the meeting, must comply with the provisions of the relevant laws, regulations, regulatory documents, securities regulatory rules of the place where the Company's shares are listed, the Articles of Association and these Terms of Reference.

**Article 23** Minutes shall be kept for the meetings of the Remuneration and Evaluation Committee, and all members present shall sign on the minutes of meeting. The minutes of the meetings should record in detail the matters considered and the resolutions, including concerns or objections raised by the Directors. Full minutes of meetings of the Remuneration and Appraisal Committee shall be kept by a duly appointed secretary of the Committee (usually the company secretary) and the secretary to the Board. Draft and final versions of the minutes shall be circulated to all members of the Committee for their comments within a reasonable time after the meeting, with the draft version for comments by members and the final version for their record purpose. The Directors of the Company may inspect the minutes of meetings at a reasonable time after giving a reasonable notice.

**Article 24** The resolutions passed at the meetings of the Remuneration and Evaluation Committee and the voting results shall be reported to the Board of the Company in writing.

**Article 25** Members present at the meeting have the obligation to keep confidential the matters discussed at the meeting, and are not allowed to disclose relevant information without authorization, otherwise they shall be liable for all legal liabilities arising therefrom.

## **CHAPTER VI SUPPLEMENTARY PROVISIONS**

**Article 26** These Terms of Reference, after being approved by resolution of the Board, shall be effective and binding commencing on the date when the H Shares issued by the Company are listed on The Stock Exchange of Hong Kong Limited. After the implementation of these Terms of Reference, the Company's original Terms of Reference of the Remuneration and Evaluation Committee shall automatically become invalid.

**Article 27** Matters not covered by these Terms of Reference shall be implemented in accordance with the provisions of the relevant laws, regulations, regulatory documents of the State, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association of the Company. In the event of any conflict arising between these Terms of Reference and the future laws, regulations, regulatory documents promulgated by the State, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association as amended after due process, the relevant laws, regulations, rules, regulatory documents and regulatory rules of the place where the shares are listed, and the Articles of Association shall prevail, these Terms of Reference will be revised in a timely manner and reported to the Board for consideration and approval.

**Article 28** The right to interpret these Terms of Reference shall belong to the Board of the Company. The meaning of "independent Director" in these Terms of Reference shall have the same meaning as the "independent non-executive Director" under the Hong Kong Stock Exchange Listing Rules.