

HISENSE KELON ELECTRICAL HOLDINGS COMPANY LIMITED

Terms of Reference for Remuneration and Appraisal Committee

Chapter 1 General

Rule 1. In order to further establish a sound system for the appraisal and remuneration management for the directors and senior management of the Company and improve corporate governance structure, the Company has specially established a remuneration and appraisal committee (the “Remuneration and Appraisal Committee”) under the board of directors (the “Board”) and formulated these terms of reference pursuant to The Company Law of the People’s Republic of China, Code of Corporate Governance for Listed Companies in China, Articles of Association, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and other relevant rules.

Rule 2. The Remuneration and Appraisal Committee is a specialized working organ under the Board that is primarily responsible for the formulation of the appraisal standard, the carrying out of the appraisal and the formulation and examination of the remuneration policy and proposal for the directors and senior management of the Company, and shall be accountable to the Board.

Rule 3. The term “director(s)” used in these terms of reference refers to director(s) who receive remuneration from the Company, whereas the term “senior management” refers to general manager, deputy general managers, secretary of the Board, person in charge of finance and other senior management officers.

Chapter 2 Composition

Rule 4. The Remuneration and Appraisal Committee shall consist of five directors, three of whom shall be independent non-executive directors.

Rule 5. The members of the Remuneration and Appraisal Committee shall be nominated by the chairman, one-half or more of the independent non-executive directors or one-third or more of the directors and shall be elected by the Board.

Rule 6. The Remuneration and Appraisal Committee shall have one chairman (convener), who must be an independent non-executive director and shall chair the work of the committee. The convener shall be elected among the committee members and shall be reported to the Board for approval.

Rule 7. The term of office of the members of the Remuneration and Appraisal

Committee shall be the same as his term of office on the Board. Where a member ceases to be a director of the Company during his term of office, he will be disqualified as a member of the committee accordingly. The Board shall fill the vacancy pursuant to the above Rule 4 to Rule 6.

Rule 8. The remuneration management department of the Company shall assist in managing the daily work of the Remuneration and Appraisal Committee.

Chapter 3 Duties and Authority

Rule 9. The major duties and authority of the Remuneration and Appraisal Committee are:

- (A) to analyze the appraisal standard of the directors and senior management and to carry out the appraisal and make recommendations based on the actual conditions of the Company;
- (B) to make recommendations to the Board on the Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (C) to make recommendations in situations where Directors or senior officers accept responsibilities and resign or are proposed to be dismissed for their defaults and failure to perform their duties;
- (D) to 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;
- (E) 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;
- (F) to make recommendations to the Board for the remuneration of independent non-executive directors;
- (G) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (H) 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;

- (I) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- (J) to ensure that no director or any of his associates is involved in deciding his own remuneration;
- (K) other duties provided under applicable regulatory rules and other matters authorized by the Board.

Rule 10. The Board shall have the right to reject any remuneration plan or proposal which is prejudicial to the interests of the Company and the shareholders.

Rule 11. The Remuneration and Appraisal Committee shall consult the chairman and/or chief executive about their remuneration proposals for other executive directors. The remuneration plan recommended by the Remuneration and Appraisal Committee shall only be implemented after it has been reported to the Board for approval and considered and approved by the shareholders at a general meeting. The remuneration proposal for the senior management of the Company shall be reported to the Board for approval.

Chapter 4 Decision-making Process

Rule 12. The process for the appraisal of the directors and the senior management by the Remuneration and Appraisal Committee are as follows:

- (A) the directors and the senior management of the Company shall report their work and conduct self-evaluation to the Remuneration and Appraisal Committee ;
- (B) the Remuneration and Appraisal Committee shall conduct performance appraisal on the directors and the senior management according to the standard and process for performance appraisal;
- (C) the committee shall make recommendations on the amount of remuneration and method of rewards to the directors and senior management according to the results of performance appraisal and the remuneration policy, which shall be reported to the Board upon approval.

Chapter 5 Rules for proceedings of meetings

Rule 13. The Remuneration and Appraisal Committee shall meet at least once every year. Seven days' notice shall be given to all members before the meeting. The

meeting shall be chaired by the convener, or, where the convener is unable to present at the meeting, one of the members as authorized by the convener.

Rule 14. The meetings of the Remuneration and Appraisal Committee shall only be held when two-thirds or more of members are present. Each member shall have one vote. Resolutions made at the meeting shall be passed by more than half of all members.

Rule 15. Resolutions at the meetings of the Remuneration and Appraisal Committee shall be determined by show of hands or by poll. Impromptu meetings may be held through any communication facilities.

Rule 16. Where necessary, the Remuneration and Appraisal Committee may invite directors, supervisors or senior management of the Company to the meetings.

Rule 17. Where necessary, the Remuneration and Appraisal Committee may appoint intermediary agencies to provide independent and professional advice for its decision-making and the fee shall be borne by the Company.

Rule 18. Whenever matters in relation to a particular member are discussed at the meetings of the Remuneration and Appraisal Committee, such member shall stay away from the meetings.

Rule 19. The convening procedures, the method of voting and the remuneration policy and proposals passed at the meetings of the Remuneration and Appraisal Committee shall be in accordance with the relevant laws, regulations, Articles of Association and the rules in these term of reference.

Rule 20. Minutes shall be taken for the meetings of the Remuneration and Appraisal Committee. Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records respectively, in both cases within a reasonable time after the meeting. Members present at the meeting shall sign on the final version of the minutes. The minutes shall be kept by the secretary of the Board of the Company.

Rule 21. The resolutions and voting results at the meetings of the Remuneration and Appraisal Committee shall be reported to the Board in written form.

Rule 22. Members who attend the meetings shall keep confidential all the proceedings at the meetings and shall not disclose any relevant information without authorization.

Chapter 6 Miscellaneous

Rule 23. These terms of reference shall be effective from the date on which the Board passes a resolution to approve the same.

Rule 24. Matters which are not provided for in these terms of reference shall be governed by the requirements of the relevant laws and regulations in China, Listing Rules in Hong Kong and relevant rules and regulations and the Articles of Association. If these terms of reference conflict with any laws and regulations promulgated in China in the future or the Articles of Association as modified through procedures in compliance with laws, the terms of reference shall be implemented in accordance with the requirements of the relevant laws, regulations and Articles of Association and shall be modified forthwith and reported to the Board for approval.

Rule 25. The right to interpret these terms of reference shall belong to the Board.

The English version of these terms of reference is for reference only and if there is any conflict between the English and the Chinese versions, the Chinese version shall prevail.

**The Board of Directors of
Hisense Kelon Electrical Holdings Company Limited
June 27, 2013**