



ZHONG FA ZHAN HOLDINGS LIMITED

中發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 475)

Terms of Reference of the Remuneration Committee

(Approved and adopted on 24 October 2006)

Last revised on 21 June 2013)

1. Constitution

- 1.1 The Board resolved to establish a Committee of the Board known as the Remuneration Committee on 24 October 2006.

2. Membership

- 2.1 The Remuneration Committee shall be appointed by the Board with its members be composed of a minimum of two members. The majority of Remuneration Committee members shall be independent non-executive Directors of the Company.
- 2.2 The chairman of the Remuneration Committee shall be selected by the Board.

3. Chairman

- 3.1 The Board shall appoint an independent non-executive director as the chairman of the Remuneration Committee who has the responsibility of liaising with the Board.
- 3.2 The chairman shall chair the meetings of the Remuneration Committee.
- 3.3 In the absence of the chairman of the Remuneration Committee, the remaining members present shall elect one of themselves to chair the meetings of the Remuneration Committee.

4. Quorum and voting of meetings

- 4.1 The quorum necessary for the transaction of business shall be two members. If only two members are in attendance, then both members shall be independent non-executive directors. If more than two members are in attendance, then a majority of the members shall be independent non-executive directors.
- 4.2 Questions arising in any meetings shall be decided by a simple majority of votes.

5. Attendance at meetings

- 5.1 The Remuneration Committee members may attend meetings of the Remuneration Committee either in person or through other electronic means of communication (if made available by the Company). Should any member of the Remuneration Committee wish to attend a meeting through electronic communications, prior arrangements shall be made with the secretary of the Remuneration Committee.
- 5.2 The Chairman of the Board shall be in attendance with other senior management, if deemed appropriate and invited by the Remuneration Committee.
- 5.3 The Company Secretary shall be the secretary of the Remuneration Committee.

6. Frequency of meetings

- 6.1 At least one meeting will be held each year provided that any ad hoc meetings shall be convened as and when deemed necessary.

7. Notice of meetings

- 7.1 Meetings of the Remuneration Committee shall be summoned by the secretary of the Remuneration Committee at the request of any of its members.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each member of the Remuneration Committee, and to any other person required to attend:
- 7.2.1 in relation to all regular meetings of the Remuneration Committee, at least 14 days before the date of the meeting; and
- 7.2.2 in relation to all other meetings of the Remuneration Committee, within a reasonable time prior to the date of the meeting.

- 7.3 An agenda of items to be discussed, together with supporting papers shall be sent to Remuneration Committee members and to other attendees as appropriate within a reasonable time prior to the date of the meeting.
- 7.4 Any member of the Remuneration Committee shall be entitled, by notice to the secretary of the Remuneration Committee, to include other matters relevant to the functions of the Remuneration Committee in the agenda of a Remuneration Committee meeting.

8. Minutes of meetings

- 8.1 The secretary of the Remuneration Committee (or his/her delegate) in attendance at the meetings of the Remuneration Committee shall minute in sufficient detail the proceedings and resolutions of all such meetings, including the names of those present and in attendance. The minutes should also include any concerns raised by any member of the Remuneration Committee and/or dissenting views expressed.
- 8.2 The secretary of the Remuneration Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The relevant member of the Remuneration Committee shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Remuneration Committee in which he/she and/or his/her associates have a material interest.
- 8.3 Draft and final versions of minutes of Remuneration Committee meetings shall be sent to all Remuneration Committee members for their comments and records respectively, in both cases 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.
- 8.4 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 notice.

9. Annual general meetings

- 9.1 The chairman of the Remuneration Committee shall endeavour to attend the annual general meetings of the Company and be prepared to respond to any Shareholder questions on the Remuneration Committee's activities.

- 9.2 If the chairman of the Remuneration Committee is unable to attend an annual general meeting of the Company, he shall arrange for another member of the Remuneration Committee or, failing this, his duly appointed delegate, to attend in his place. Such person shall be prepared to respond to any Shareholder questions on the Remuneration Committee's activities.

10. Reporting responsibilities

- 10.1 The chairman of the Remuneration Committee shall report formally to the Board on proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Remuneration Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Remuneration Committee shall, with the assistance of the secretary of the Remuneration Committee, compile a report to Shareholders on its role and activities to be included in the Company's Corporate Governance Report.

11. Authority

- 11.1 The Remuneration Committee is authorized by the Board with full power:
- 11.1.1 to investigate any activity within its terms of reference;
 - 11.1.2 to seek any information it requires from any employee and all employees are directed to co-operate with any requests made by the Remuneration Committee;
 - 11.1.3 subject to the Company's procedure for seeking external advice, to obtain outside legal or other independent professional advice and to secure attendance of outsiders with the relevant experience and expertise if it considers this necessary; and
 - 11.1.4 to grant share options to persons who are eligible to participate in the Company's share option scheme, to issue letters of invitation to such persons, to administer the share option scheme in accordance with its rules and to do all other acts or things as the Remuneration Committee considers necessary or desirable in connection with, or arising from the implementation of, the scheme.

12. Duties and Responsibilities

12.1 The duties and responsibilities of the Remuneration Committee shall be:

12.1.1 to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

12.1.2 to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

12.1.3 Either:

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

(ii) 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;

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

12.1.5 to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

12.1.6 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;

12.1.7 to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

12.1.8 to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;

12.1.9 to make recommendation to the Board as deemed necessary or to take approved action if within delegated authority;

12.1.10 to address and deal with such other matters as may be delegated by the Board to the Remuneration Committee; and

12.1.11 to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Listing Rules.

13. Other

13.1 The Remuneration Committee shall have access to sufficient resources in order to discharge its duties. In the event that the Remuneration Committee determines that it has insufficient resources, it may make a request for additional resources to the Board through the Company Secretary.

13.2 All members of the Remuneration Committee shall have access to the advice and services of the secretary of the Remuneration Committee with a view to ensuring that procedures of the Remuneration Committee and all applicable rules and regulations are followed.

13.3 Any member of the Remuneration Committee may require access to outside legal or other independent professional advice in connection with his/her duties at the Company's expense. All such requests shall be processed in accordance with the Company's procedures for seeking independent professional advice by Directors.

13.4 Every member of the Remuneration Committee shall give sufficient time and attention to his/her duties as a member of the Remuneration Committee. He/she shall give the Company the benefit of his skills and expertise through regular attendance and active participation.

Note: In the event of inconsistency, the English texts of the terms of reference of the remuneration committee shall prevail over the Chinese texts thereof.