



CHEUK NANG (HOLDINGS) LIMITED

卓能（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 131)

REMUNERATION COMMITTEE

TERMS OF REFERENCE

(adopted on 24th March, 2006)

1. Membership

- 1.1 The Remuneration Committee shall be appointed by the Board and must consist of a minimum of 3 members (the “Members”).
- 1.2 The majority of the members (the “Members”) of the Remuneration Committee shall be independent non-executive Directors (“INEDs”).
- 1.3 The Chairman of the Remuneration Committee shall be appointed by the Board and shall be an INED.

2. Secretary

- 2.1 The Company Secretary shall be the secretary of the Remuneration Committee.
- 2.2 The Remuneration Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Remuneration Committee.

3. Meetings

- 3.1 The Remuneration Committee shall meet at least once a year.
- 3.2 Notice of any meetings has to be given at least 14 days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.

- 3.3 The quorum for decisions of the Remuneration Committee shall be any two Members one of whom must be an INED.
- 3.4 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.
- 3.5 Resolutions of the Remuneration Committee shall be passed by a majority of votes.
- 3.6 A resolution in writing signed by all the Members of the Remuneration Committee shall be as valid and effectual as if it had been passed at a meeting of the Remuneration Committee duly convened and held.
- 3.7 Minutes shall be kept by the secretary of the Remuneration Committee. Draft and final versions of minutes shall be circulated to all Members for their comment and records respectively, in both within a reasonable period of time after the meeting. Such minutes shall be opened for Directors' inspection.

4. Attendance at Meetings

- 4.1 At the invitation of the Remuneration Committee, the Chairman of the Board and/or Managing Director and/or Chief Executive Officer, external advisers and other persons may be invited to attend all or part of any meeting.
- 4.2 Only Members of the Remuneration Committee are entitled to vote at the meetings.

5. Annual General Meeting

The Chairman of the Remuneration Committee or in his/her absence, another Member (who must be an INED) of the Remuneration Committee, shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Remuneration Committee's activities and their responsibilities.

6. Responsibility, Powers and Discretion

The responsibility of the Remuneration Committee shall have the following responsibility, powers and discretion:

- 6.1 to make recommendation to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

- 6.2 to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance-based remuneration;
- 6.3 to review and approve remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- 6.4 to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- 6.5 to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- 6.6 to ensure that no Director or any of his associates is involved in deciding his own remuneration; and
- 6.7 to advise shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under rule 13.68 of the Listing Rules.

7. Reporting Responsibilities

The Remuneration Committee shall report to the Board after each meeting.

8. Authority

- 8.1 The Remuneration Committee shall consult the Chairman of the Board about their proposals relating to the remuneration of other executive Directors.
- 8.2 The Remuneration Committee is authorised by the Board to seek any remuneration related information it requires from senior management of the Company in order to perform its duties.
- 8.3 The Remuneration Committee is authorised by the Board where necessary to have access to professional advice.
- 8.4 The Remuneration Committee shall be provided with sufficient resources to discharge its duties.