



**LUNG CHEONG INTERNATIONAL HOLDINGS LIMITED**

**龍昌國際控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 348)

**REMUNERATION COMMITTEE  
TERMS OF REFERENCE**

Adoption Date: 2 November 2005

Revised Date: 20 February 2012

**1. Membership and Quorum**

- 1.1. The Remuneration Committee (the “Committee”) shall be appointed by the board of directors (the “Board”) of Lung Cheong International Holdings Limited (the “Company”) from amongst the directors of the Company and shall consist of not less than three members, a majority of whom shall be independent non-executive directors of the Company. A quorum shall be two members.
- 1.2. The chairman of the Committee shall be appointed by the Board and must be an independent non-executive director of the Company.

**2. Secretary**

- 2.1. The company secretary of the Company or his/her nominee shall be the secretary of the Committee (the “Secretary”).

**3. Meeting**

- 3.1. The Committee shall meet as and when necessary or as requested by any Committee member. The Committee shall meet at least once a year.
- 3.2. An agenda and accompanying papers shall be sent in full to all members of the Committee in a timely manner and at least 3 days before the intended date of the meeting of the Committee (or such other period as agreed by its members).
- 3.3. The meetings and proceedings of the Committee are governed by the provisions of the Articles of Association of the Company for regulating the meetings and proceedings of the Board so far as the same are applicable.

#### **4. Reporting Procedures**

- 4.1. The Secretary shall keep full minutes of each Committee meeting. Draft and final versions of minutes of the meetings shall be sent to all members of the Committee for their comments and records respectively, and within a reasonable time from such meeting.
- 4.2. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.
- 4.3. The Committee should report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report to the Board on the findings and recommendations of the Committee.

#### **5. Consultation**

- 5.1. The Committee shall consult the chairman of the Board and/or chief executive of the Company and its subsidiaries (the “Group”) about their remuneration proposals for other executive directors of the Group, if any, and, at the expenses of the Group, have access to independent professional advice if necessary.

#### **6. Authority**

- 6.1. The authority of the Committee is derived from the Board, therefore the Committee is obliged to report to the Board on its decisions or recommendations.
- 6.2. The Committee is authorized by the board to investigate any activity within its terms of reference and shall be provided with sufficient resources to perform its duties. It is authorized to seek any information it requires from any employee of the Group and members of the Board in order to perform its duties and all employees of the Group and members of the Board are directed to co-operate with any request made by the Committee within the scope of this terms of reference.

#### **7. Duties, powers and functions**

- 7.1. To formulate remuneration policy for the approval of the Board, which shall take into consideration factors such as salaries paid by comparable companies, employment conditions and responsibilities, and individual performance of the directors, senior management and general staff. Performance shall be measured against corporate goals and objectives resolved by the Board from time to time; and implement the remuneration policy laid down by the Board.
- 7.2. To make recommendations to the board on the Group’s policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration.

- 7.3. To make recommendations to the Board on the remuneration packages of individual executive directors and senior management of the Group, 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 on the remuneration of non-executive directors. The Committee shall consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group.
- 7.4. To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.
- 7.5. To establish guidelines for the recruitment of the senior management.
- 7.6. To determine the criteria for assessing employee performance which should reflect the Group's goals and objectives.
- 7.7. To consider the performance bonus (if any) for executive directors, senior management and general staff (if applicable), having regard to their achievements against the performance criteria and by reference to market norms, and make recommendations to the Board.
- 7.8. 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 are otherwise fair and not excessive.
- 7.9. 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.
- 7.10. To ensure that no director or any of his/ her associates is involved in deciding his/ her own remuneration.
- 7.11. To advise shareholders of the Group with respect to any service contracts of directors of the Group that require shareholders' approval under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- 7.12. To consider other topics as defined by the Board.

*Note:*

- a. If there is any inconsistency between the English and Chinese versions of this terms of reference, the English version shall prevail.*
- b. For the purpose of this terms of reference, "senior management" should refer to the same category of persons as referred to in the Group's annual report.*

*\* For identification purposes only*