

# **Lianhua Supermarket Holdings Co., Ltd. (the “Company”) Terms of Reference of Remuneration And Appraisal Committee (the “Committee”)**

## **Chapter I General Provisions**

Article 1 The company set up Committee and formulate this Terms of Reference in accordance with the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Articles of Association of the Company and other relevant regulations in order to refine the corporate governance structure and formulate a sound appraisal and remuneration system for directors and senior management.

Article 2 The Committee is set up by the board of directors (the “Board”) with the approval of general meeting. It is responsible for setting the assessment criteria and for setting and reviewing remuneration policies and plans for directors and senior management of the Company.

Article 3 The term “directors” in these terms and references refers to directors who receive remuneration from the Company, and “senior management” refers to general manager, deputy general managers, company secretary employed by the Board and other senior officers nominated by the general manager and approved by the Board.

## **Chapter II Composition**

Article 4 The Committee shall consist of a minimum of three directors of the Company, the majority of whom shall be independent non-executive directors.

Article 5 The Committee members shall be nominated by the chairman of the Board or more than half of the total number of independent non-executive directors or one third of all directors, and shall be elected by the Board.

Article 6 The Committee shall have one Chairman/convener, who shall be an independent non-executive director and responsible for presiding over the work of the Committee. The Chairman shall be elected among the Committee members and its appointment shall be approved by the Board.

Article 7 The term of office of the Committee shall be consistent with the term of office of the Board. The Committee members shall be reappointed upon being re-elected as the members of the Committee at the expiration of their term of office. The Committee members shall be automatically disqualified from being members of the Committee if they cease to be directors within their term of office. The Committee shall fill the vacancy(ies) according to the requirements of Article 4 to 6 above.

Article 8 The Committee should set up sub team(s) to collect information on Company’s operation as well as performance of the personnel under appraisal, to prepare for the meetings of the Committee, and to execute resolutions passed by the Committee.

### **Chapter III Duties, Powers and Functions**

Article 9 The Committee is to perform the following duties:

(a) formulate and determine the remuneration plans or schemes of individual executive directors and senior management based on their job scope, responsibilities, significance and remuneration levels of similar position in other similar companies;

(b) remuneration plans or schemes include but not limited to performance appraisal criteria, procedures, assessment system, and plan and system for awards and punishments;

(c) review the fulfillment of duties of directors (non-independent directors) and senior management and appraise their annual performance;

(d) monitor the implementation of remuneration system of the Company;

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

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

(g) determine with the delegated responsibility 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;

(h) make recommendations to the Board on the remuneration packages of non-executive directors;

(i) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(j) 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 for the Company;

(k) 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;

(l) ensure that no director or any of his associates is involved in deciding his own remuneration;

(g) have access to independent professional advice if necessary;

(j) consider other responsibilities authorized by the Board.

Article 10 The Committee is authorized to require management to provide it with sufficient resources to perform its duties.

Article 11 The Committee is entitled to reject remuneration plans or schemes not in line with shareholders' interests.

Article 12 the remuneration plans of directors proposed by the Committee shall be subjective to approvals of the Board and the general meeting. The remuneration plans of senior management shall be subjective to approvals of the Board.

### **Chapter IV Proceedings of Decision-Making**

Article 13 The sub team(s) under the Committee should support the decision-making of the Committee by providing the followings:

- (a) the fulfillment of the Company's financial and operational targets;
- (b) work scope and responsibilities of each senior management;
- (c) the fulfillment of indicators listed in performance assessment system of directors and senior management;
- (d) the performance materials of directors and senior management in business innovation and profit making;
- (e) calculation basis of proposed remuneration plans and ways of payments based on performance of the Company;

Article 14 The appraisal procedures of Committee on directors and senior management includes:

- (a) Directors and senior management of the Company should provide reports on their own work and self-assessment to the Committee;
- (b) The Committee shall assess the performance of directors and senior management in accordance with appraisal criteria and procedures;
- (c) The Committee shall determine the proposed remuneration plans, including amounts and ways of payments, of directors and senior management based on remuneration policies and their performance assessment, and submit to the Board.

## **Chapter V Proceedings of Meetings**

Article 15 The Committee shall hold meetings at least once a year. Notice of each meeting shall be given to all members of the Committee seven days prior to the date of the meeting. The Chairman, shall preside over the meeting, failing him, any other member of the Committee may be appointed by him to preside over the meeting.

Article 16 The quorum for a meeting shall be at least two-thirds of members of the Committee. Each member has one vote in the meeting and the resolution(s) proposed by the Committee should be passed by more than half of all Committee members.

Article 17 Voting methods of the Committee meeting shall be voting by show of hand or voting by poll. Extraordinary meeting(s) could be held by way of voting by means of written communication.

Article 18 The Committee could invite directors, supervisors or other senior management of the Company to attend its meetings when necessary.

Article 19 If necessary, the Committee may engage professional parties at the Company's expense to provide professional advice on its decisions.

Article 20 Members of the Committee should abstain from reviewing their own remuneration plans.

Article 21 The procedures, voting methods and resolutions of the Committee meetings should comply with relevant laws, regulations, the Articles of Association of the Company as well as this Terms of Reference.

Article 22 Each meeting of the Committee shall have minutes with signatures of all attending members. Full minutes of each meeting of the Committee should be kept by the a duly appointed secretary of the Committee, who should normally be the company secretary. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comments and records, within a reasonable period of time after the meeting..

Article 23 The Committee should report the voting results and recommendations of the Committee to the Board in written form at the next meeting of the Board following a meeting of the Committee.

Article 24 The members present at the meeting should keep all materials in the meeting confidential and must not disclose to others.

### **Chapter VI Supplementary Provisions**

Article 25 This Terms of Reference should come into effect since the date of approval by the Board.

Article 26 Any matters not specified in this Terms of Reference should be implemented in accordance with relevant laws, regulations and the Articles of Association of the Company. May this Terms of Reference found in conflict with relevant laws or regulations issued later or with amended Articles of Association of the Company, the Company should amend this Terms of Reference immediately, subject to the approval of the Board.

Article 27 The Board retains the interpretation power of this Terms of Reference.

Article 28 This Terms of Reference is written in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

**Board of Lianhua Supermarket Holdings Co., Ltd  
March, 2012**