

CHINA NEW TOWN DEVELOPMENT COMPANY LIMITED

(the “Company”)

Terms of Reference of Remuneration Committee

1. INTRODUCTION

- 1.1 The Corporate Governance Code and Corporate Governance Report (the “CG Code”) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEx”)(“Listing Rules”) require companies listed on HKEx to set up a remuneration committee which reports to the board of directors (the “Board”).
- 1.2 Set out below are the terms of reference of the Remuneration Committee, including its authorities and duties as well as the procedure regulating the conduct of its meetings.
- 1.3 In the event of any conflict between the provisions of the terms of reference contained herein and the provisions of CG Code, the provisions of CG Code shall prevail and the terms of references of the Remuneration Committee set out hereunder shall be deemed amended to such extent as may be necessary to remove such conflict.

2. CONSTITUTION AND AUTHORITY

- 2.1 The Remuneration Committee is constituted by resolutions of the Board pursuant to the Company’s Articles and Association.
- 2.2 The Remuneration Committee shall have the authority to:
 - (a) establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors (“Directors”) of the Company, provided that no Director shall be involved in deciding his own remuneration;

- (b) take such action within its terms of reference as it deems fit, having regard to the principles of corporate governance and CG Code, including but not limited to requiring information from the officers and employees of the Company;
- (c) seek expert advice within or outside the Company on the remuneration of all Directors. The Remuneration Committee shall ensure that the existing relationship, if any, between the Company and the appointed remuneration consultant will not affect the independence and objectivity of the remuneration consultant; and
- (d) consider such other matters as defined or assigned by the Board from time to time.

2.3 The Remuneration Committee shall be provided with sufficient resources to discharge its duties. App.14
B.1.4

3. MEMEBERSHIP

- 3.1 The members of the Remuneration Committee shall consist of not less than three members appointed by the Board from amongst its members.
- 3.2 The Remuneration Committee shall comprise entirely of non-executive Directors, with the majority of members (including the Chairman of the Remuneration Committee) being independent (as defined in Rule 3.13 of the Listing Rules).
- 3.3 The member of the Remuneration Committee shall not have personal financial interest (other than being a shareholder of the Company) and conflicts of interest arising from cross-directorships.
- 3.4 A member who wishes to retire or resign from the Remuneration Committee shall notify the Board by giving at least one (1) month notice in writing.
- 3.5 The office of a member shall become vacant upon the member's resignation/retirement/removal or disqualification as a Director of the Company.

- 3.6 The Board shall fill any vacancy in the Remuneration Committee within two (2) months of the vacancy arising, and in any event, no later than three (3) months.
- 3.7 No alternate member of any member of the Committee can be appointed.
- 3.8 The Company Secretary of the Company shall be the secretary of the Remuneration Committee.

4. RESPONSIBILITY

The Committee is to review and formulate policies in respect of the remuneration structure for all Directors and senior management of the Company (“Senior Management”) and make recommendations to the Board for its consideration. For the purpose of these terms of reference, Senior Management refers to the same category of persons as referred to in the Company's annual report and required to be disclosed under paragraph 12 of Appendix 16 of the Listing Rules.

5. TERMS OF REFERENCE

- 5.1 The term "Senior Management" shall mean the CEO and other persons having authority and responsibility for finance, planning, directing and controlling the activities of the Company.
- 5.2 The Remuneration Committee shall:
- (a) implement and administer any performance incentive schemes of the Company;
 - (b) recommend to the Board a framework of remuneration for the Board and determine the specific remuneration package for each executive Director and the Senior Management of the Company, if he is not an executive Director. The Remuneration Committee's recommendations should cover all aspects of remuneration

including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind. Such recommendations should be submitted for endorsement by the entire Board;

- (c) make recommendations 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; App.14
B1.2(a)
- (d) to make recommendations to the Board on the remuneration of non-executive directors; App.14
B1.2(d)
- (e) conduct annual reviews of the remuneration of employees related to the Directors and Senior Management to ensure that their remuneration packages in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;
- (f) review and approve any bonuses, pay increases and/or promotion for employees;
- (g) 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 regarding remuneration of non-executive Directors. The Committee should consider factors such as the pay and conditions within the industry and of comparable companies, time commitment and responsibilities of Directors, employment conditions elsewhere in the Company and its subsidiaries (together, the "Group") and desirability of performance-based remuneration. Such comparisons must be made with caution in view of the risk of an upward ratchet of remuneration levers with no corresponding improvements in performance; App.14
B1.2(c)(i)
- (h) review and approve the performance-based bonuses and App.14
B1.2(b)

remuneration (if any) by reference to, inter alia, corporate goals and objectives resolved by the Board from time to time, the responsibilities and job nature of the relevant Director or Senior Management, job performance, market environment, salaries trend in the industry, operation results of the Group as well as the revenue and profit margin of the Group in the relevant period of time;

- (i) determine the time of payment of any performance-based remuneration;
- (j) review and approve the compensation payable to executive Directors and the 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; App. 14
B1.2(f)
- (k) 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; App. 14
B1.2(g)
- (l) ensure that no Director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration and that, as regards the remuneration of a non-executive Director who is a member of the Committee, his/her remuneration should be determined by the other members of the Committee; App.14
B1.2(h)
- (m) advise shareholders of the Company on how to vote with respect to any service contracts of Directors which is for a duration that may exceed 3 years or not determinable by the Company within one year or without payment of compensation or without other payments equivalent to more than one year's emoluments that require shareholders' approval under the Listing Rules; R.13.68
- (n) ensure due compliance with any relevant disclosure requirements in respect of the remuneration of Directors under the Listing Rules, the

Companies Ordinance (Cap. 32 of the Laws of Hong Kong), the CG Codes and any other statutory requirements;

- (o) review and make recommendations to the Board regarding the pension arrangements for Directors and Senior Management;
- (p) review and report to the Board on any suspected irregularities in the reimbursement of unreasonable out-of-pocket expenses of Directors and Senior Management;
- (q) review and approve the interim report, annual report, announcement and circular or any publication of the Company regarding remuneration and service contracts of the Directors prior to approval by the Board;
- (r) consider whether Directors and Senior Management should be eligible for benefits under long-term incentive schemes;
- (s) administer the Company's share option scheme, including without limitation, to:
 - (i) identifying those eligible Directors and employees of the Company and its subsidiary companies to whom options should be granted;
 - (ii) the timing for grant of options;
 - (iii) the number of shares over which options are to be granted; and
 - (iv) the exercise price at which options are to be granted.

consider and make recommendations to the Board concerning the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration, and the details of the specific remuneration packages of the Directors and Senior Management of the Company, in addition (if appropriate) to those required by law or by CG Code;

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

App.14
B1.2(e)

(u) implement such other acts as may be required by HKEx and/or CG Codes from time to time.

5.3 In making its deliberations and recommendations, the Remuneration Committee shall take into account the following factors (and such other factors as may be specified in the CG Code from time to time):

(a) the level of remuneration should be appropriate to attract, retain and motivate the directors and Senior Management needed to run the Company successfully;

(b) a significant proportion of the remuneration, especially that of executive Directors, shall be structured to link rewards to corporate and individual performance. The Remuneration Committee shall also consider what compensation commitments the Directors' contracts of service, if any, would entail in the event of early termination;

(c) the performance-related elements of remuneration shall form a significant proportion of the total remuneration package of executive Directors and shall be designed to align their interests with those of shareholders and to link rewards to corporate and individual performance;

(d) the remuneration of non-executive Directors should be appropriate to the level of their contribution, taking into account factors such as effort and time spent and responsibilities;

(e) non-executive Directors shall not be over-compensated to the extent that their independence may be compromised;

(f) in the case of service contracts, there should be a fixed appointment period for all Directors, after which they should be

subject to re-election;

- (g) service contracts shall not be excessively long or with onerous removal provisions;
- (h) notice periods in service contracts should be set at a period of six (6) months or less. If it is necessary to offer longer periods to new directors recruited from outside, such periods should reduce to six (6) months or less after the initial notice period;
- (i) long-term incentive schemes, including share schemes are generally encouraged;
- (j) the costs and benefits of long-term incentive schemes should be carefully evaluated;
- (k) in normal circumstances, offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time;
- (l) the use of vesting schedules, whereby only a portion of the benefits can be exercised each year, is strongly encouraged; and
- (m) Directors should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.

5.4 The Committee should consult the Chairman of the Board and/or chief executive officer about their proposals relating to the remuneration of other executive Directors and seek professional advice if considered necessary.

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5.5 For the avoidance of doubt, the terms of reference of the Remuneration Committee shall not encompass decisions to employ or dismiss executives.

6. MEETINGS

- 6.1 Unless varied by this Terms of Reference, meetings and proceedings of the Remuneration Committee shall be governed by the provisions in the Company's Articles of Association regulating the meetings and proceedings of the Board and the committees formed by it.
- 6.2 Meetings of the Remuneration Committee shall be held at least once a year. A meeting may be called by the Chairman or any member of the Remuneration Committee.
- 6.3 The Chairman of the Remuneration Committee may convene additional meetings at his discretion as and when the work of the Remuneration Committee demands.
- 6.4 The other Directors and the executive officers of the Company (and of its group companies) may only attend meetings of the Remuneration Committee at its invitation.
- 6.5 Save for exceptional circumstances, at least seven (7) days' notice of meetings of the Remuneration Committee shall be given to its members, informing of the date, time, venue and agenda and the papers for the meeting shall be provided to the members of the Remuneration Committee at least three (3) working days prior to the date of the meeting.
- 6.6 Meetings of the Remuneration Committee may be conducted by means of telephone or audiovisual conferencing or other methods of simultaneous communication by electronic, telegraphic or other means by which all persons participating in the meeting are able to hear and be heard at all times by all other participants. The minutes of such meeting signed by the Chairman of the Remuneration Committee shall be conclusive evidence of the proceedings of any meeting conducted in the manner as aforesaid.
- 6.7 The quorum for meetings of the Remuneration Committee shall be any two (2) members present and voting.
- 6.8 A member of the Remuneration Committee shall abstain from voting and shall not be counted in the quorum of a meeting in respect of the

resolution regarding the remuneration payable to him.

- 6.9 All decisions of the Remuneration Committee shall be made via a simple majority of the votes cast. In the event of an equality of votes, the Chairman of the Remuneration Committee shall have a second or casting vote.
- 6.10 Provided that a resolution in writing signed by majority of the members of the Remuneration Committee shall be as valid and effectual as if it had been passed at the meeting of the Remuneration Committee duly convened and held. Any such resolution may consist of several documents in like forms, each signed by one or more members.
- 6.11 Unless varied by these terms of reference, meetings and proceedings of the Committee shall be governed by the provisions of the Articles of Association of the Company (as amended from time to time).

7. REPORTING

- 7.1 Full minutes of the meetings of the Remuneration Committee shall be kept by the secretary of the Committee, who shall prepare and send draft and final versions of minutes of meetings and all written resolutions of the Remuneration Committee to all members of the Remuneration Committee for their comments and records respectively, in both cases within a reasonable time after the meeting.
- 7.2 The Chairman of the Remuneration Committee may decide to circulate the minutes of the meetings of the Remuneration Committee to the other members of the Board. Any Director may, provided that there is no conflict of interest and with the agreement of the Chairman of the Remuneration Committee, request and obtain copies of such minutes.
- 7.3 The Remuneration Committee should report to the Board on a regular basis on its decisions or recommendations.
- 7.4 At the next meeting of the Board following a meeting of the Remuneration Committee, the Chairman of the Remuneration Committee shall report to the Board on the findings and

recommendations of the Remuneration Committee. At least once annually, the Remuneration Committee should present a report in writing to the Board which addresses the work and findings of the Committee during the year.

- 7.5 The Chairman (or in his absence, another member) of the Remuneration Committee shall attend the Company's annual general meeting and be prepared to address questions regarding the appointment of any Director.
- 7.6 The Remuneration Committee shall ensure that the following (and such other information as may be required by the Code from time to time) are disclosed in the Company's annual report:
- (a) the names of the members of the Remuneration Committee and the key terms of reference of the Remuneration Committee, explaining its role and the authority delegated to it by the Board;
 - (b) a clear disclosure of the Company's remuneration policy, level and mix of remuneration, and the procedure for setting remuneration;
 - (c) the remuneration of Directors and at least the top five (5) Senior Management (who are not also Directors or the Chief Executive Officer) of the Company. This remuneration report should form part of, or be annexed to the Company's annual report of its Directors, which shall be the main means through which the Company reports to shareholders on remuneration matters;
 - (d) the remuneration of each individual Director and the Chief Executive Officer on a named basis round off to the nearest thousand dollars. There should be a breakdown (in percentage or dollar terms) of each Director's and the Chief Executive Officer's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.
 - (e) the remuneration of at least the top five (5) Senior Management

(who are not also Directors or the Chief Executive Officer) on named basis. Within each band, there shall be a breakdown (in percentage terms) of each Senior Management's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, share options granted, and other long-term incentives. The Company should also disclose in aggregate the total remuneration paid to top five (5) key management personnel (who are not Directors or the Chief Executive Officer);

- (f) details of the remuneration of employees who are immediate family members (which include the spouse, child, adopted child, step-child, brother, sister and parent) of a Director or the Chief Executive Officer during the year on named basis with clear indication of the employee's relationship with the relevant director and Chief Executive Officer.
- (g) such details of the Company's employee share option schemes as will enable the shareholders to assess the benefits and potential cost to the Company, including without limitation, the potential size of grants, the methodology for valuing the stock options, the exercise price of options that were granted as well as outstanding, whether the exercise price was at the market price of the Company's shares or otherwise on the date of grant, the market price on the date of exercise, the vesting schedule, and the justifications for the terms adopted;
- (h) the aggregate amount of any termination, retirement and post-employment benefits that may be granted to Directors, the Chief Executive Officer and the top five Senior Management (who are not director or the Chief Executive Officer); and
- (i) the names and firms of the remuneration consultants, if any, and include a statement on whether the remuneration consultants have any such relationships with the Company.
- (j) the information on the link between remuneration paid to the executive directors and Senior Management, and performance as

well as a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.

8. REMUNERATION

- 8.1 Having regard to the functions performed by the members of the Remuneration Committee in addition to their functions as Directors, the members of the Remuneration Committee may be paid such remuneration in respect of their appointment on the Remuneration Committee as shall be fixed by the Board from time to time. For the avoidance of doubt, such remuneration shall be in addition to the fees payable to them as Directors.

(Adopted by the Company pursuant to the board resolution passed on 31 March 2017.)