



**Prosperity International Holdings (H.K.) Limited**

**昌興國際控股（香港）有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 803)**

**TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE**

(As adopted by the Board on 7 March 2005, amended on 1 January 2009 and 30 March 2012)

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***Constitution***

1. The board (the “**Board**”) of directors (the “**Directors**”) of Prosperity International Holdings (H.K.) Limited (the “**Company**”) resolved to establish a committee of the Board known as the Remuneration Committee (the “**Remuneration Committee**”).

***Membership***

2. The Remuneration Committee shall be appointed by the Board and shall comprise a minimum of two members. The majority of the Remuneration Committee members shall be independent non-executive Directors. The constitution of the Remuneration Committee shall comply with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) from time to time.
3. The appointment of the members of the Remuneration Committee may be revoked, and new appointment be made in place by resolutions passed by the Board and by the Remuneration Committee.
4. No alternate Remuneration Committee member can be appointed.
5. The members 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.

***Chairman***

6. The Board shall appoint a member of the Remuneration Committee to be the chairman of the Remuneration Committee (the “**RC Chairman**”) who shall be an independent non-executive Director. The RC Chairman has the responsibility of liaising with the Board.
7. In the absence of the RC Chairman during a meeting of the Remuneration Committee, the remaining members present at such meeting shall elect one of themselves to chair such meeting of the Remuneration Committee.

### ***Secretary***

8. The company secretary of the Company shall be the secretary of the Remuneration Committee (the “**Secretary**”) who should attend all meetings of the Remuneration Committee.

### ***Quorum and voting at meetings***

9. The quorum necessary for the transaction of business during meetings of the Remuneration Committee shall be two members. If only two members are in attendance, both members shall be independent non-executive Directors. If more than two members are in attendance, a majority of the members shall be independent non-executive Directors.
10. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and record such (if any) accordingly. Any member of the Remuneration Committee ascertained by the Secretary to have any conflict of interest 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 has/have a material interest.
11. Questions arising at any meetings of the Remuneration Committee shall be decided by a simple majority of votes.

### ***Attendance at meetings***

12. The Remuneration Committee members may attend meetings of the Remuneration Committee either in person or through other electronic means of communication in which all persons participating in the meeting can hear each other.
13. Only members of the Remuneration Committee have the right to attend meetings of the Remuneration Committee. However, the Remuneration Committee may, if necessary, invite the executive Directors who are not members of the Remuneration Committee, the chief executive officer, a representative of the Human Resources Department of the Company and/or other advisors to attend the meetings, including but not limited to external professional advisors or consultants to advise its members as and when appropriate.

### ***Frequency of meetings***

14. At least two meetings of the Remuneration Committee will be held each year provided that any ad hoc meetings shall be convened as and when the RC Chairman deems necessary.
15. The RC Chairman or any two members of the Remuneration Committee may request a meeting if they consider it necessary. Meetings of the Remuneration Committee shall be arranged by the Secretary of the Remuneration Committee upon instruction of the RC Chairman.
16. Unless otherwise agreed or set out herein, proceedings of meetings of the Remuneration Committee shall be governed by the provisions of the Articles of Association of the Company.

### ***Notice of meetings***

17. Meetings of the Remuneration Committee shall be summoned and convened by the Secretary at the request of any of the members of the Remuneration Committee.
18. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, shall be sent to each member of the Remuneration Committee, and to any other person required to attend:
  - (a) in relation to all regular meetings of the Remuneration Committee, at least 14 days before the date of such meetings; and
  - (b) in relation to all other meetings of the Remuneration Committee, within a reasonable time prior to the date of such meetings.
19. 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.
20. Any member of the Remuneration Committee shall be entitled, by notice to the Secretary, to include other matters relevant to the functions of the Remuneration Committee in the agenda of a Remuneration Committee meeting.

### ***Minutes of meetings***

21. The Secretary (or his/her delegate) in attendance at the meetings of the Remuneration Committee shall prepare minutes in sufficient detail of 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.
22. Draft and final versions of the minutes of Remuneration Committee meetings shall be sent to all Remuneration Committee members for their comment and records respectively, in both cases within a reasonable time after such meeting. Once they are agreed upon the Secretary shall circulate the minutes and reports of the Remuneration Committee to all members of the Board.
23. Minutes of the Remuneration Committee meetings shall be kept by the Secretary and shall be available for inspection by any member of the Remuneration Committee and/or any Director at any reasonable time on reasonable notice.

### ***Resolutions***

24. A resolution in writing signed by all the members of the Remuneration Committee shall be as valid and effectual as it had been passed at a meeting of the Remuneration Committee and may consist of several documents in same form each signed by one or more of the Members. Such resolution may be signed and circulated by fax. This provision is without prejudice to any requirement under the Listing Rules for a Board or Remuneration Committee's meeting to be held.

### *Annual general meetings*

25. The RC Chairman shall endeavour to attend the annual general meetings of the Company and be prepared to respond to any questions of the shareholders of the Company (the “**Shareholders**”) relating to the Remuneration Committee's activities.
26. If the RC Chairman 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 such questions.

### *Reporting responsibilities*

27. After each meeting, the RC Chairman shall report formally to the Board on all matters within its duties and responsibilities.
28. The Remuneration Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting/written resolution of the Remuneration Committee, copies of the minutes/resolution setting out the findings, recommendations and decisions of the Remuneration Committee shall be submitted to the Board.
29. The Remuneration Committee shall make whatever recommendations it deems appropriate to the Board on any area within its remit where action or improvement is needed.
30. The Remuneration Committee shall, with the assistance of the Secretary, compile annually a report on its role and activities for the Board to consider in the context of preparing the Company's annual report.

### *Authority*

31. The Remuneration Committee is authorised by the Board with full power:
  - (a) to investigate any activity, to review, assess and make recommendations upon, any issues within these terms of reference;
  - (b) 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;
  - (c) 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 relevant experience and expertise if it considers this necessary;
  - (d) 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; and

- (e) to utilise information received internally and externally to satisfy itself that base salaries are competitive with current market conditions and that the total remuneration package/benefits are competitive with other companies of a similar size, business nature and scope as the Company.
32. The Remuneration Committee must ensure that the Chairman of the Board, the Directors and the senior management of the Company are fairly rewarded in the light of their contribution to the Company and their performance and that they receive suitable incentives to maintain high standards of performance and to improve their, and the Company's performance.
33. The Remuneration Committee should be provided with sufficient resources to perform its duties.

### ***Duties and Responsibilities***

34. The duties and responsibilities of the Remuneration Committee shall be:
- (a) to assess, review and make recommendations, once a year or as and when required, to the Board in respect of the remuneration packages and overall benefits for the Directors and the senior management of the Company;
  - (b) to make recommendations to the Board in relation to all consultancy agreements and service contracts, or any variations, renewals or modifications thereof, entered into between the Company and the Directors or any associate company or any of them;
  - (c) to consider what details of the remuneration or benefits of the Chairman of the Board, the Directors and the senior management of the Company should be reported in addition to those required by law in the Company's annual report and accounts and how those details should be presented;
  - (d) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to give recommendations to the Board concerning the total remuneration and/or benefits granted to the Directors from time to time;
  - (e) to make recommendations to the Board on the remuneration packages of individuals executive Directors and the senior management of the Company, 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 Remuneration Committee shall consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and the subsidiaries of the Company;
  - (f) to review and approve the management's remuneration proposal with reference to the Board's corporate goals and objectives;

- (g) to review and approve compensation payable to executive Directors and the senior management of the Company 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;
- (h) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with relevant contractual terms and are otherwise reasonable and appropriate;
- (i) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- (j) to consider the granting of share options to Directors pursuant to the share option scheme adopted by the Company;
- (k) to ensure that adequate retirement arrangements are put in place and maintained for the Chairman and executive Directors in light of their performance during their tenure with the Company and not merely their performance in the previous years;
- (l) to review and approve salaries, bonuses, merit and retirement plans, reward and recognition strategies, including the appropriation of funds for incentive awards for the executive Directors and senior management and to cater for the Company to be in a position to offer and maintain competitive and attractive overall benefits to recruit and maintain high quality personnel at the Board level;
- (m) in case of policy changes, whether or not arising from legislative requirements, to provide advice to the Board on the Company's policy on executive remuneration;
- (n) to make recommendation to the Board as deemed necessary or to take approved action if within delegated authority;
- (o) to address and deal with such other matters as may be delegated by the Board to the Remuneration Committee;
- (p) to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Listing Rules; and  
to conform to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation; and

***Availability of Terms of Reference***

35. The Remuneration Committee shall make available these terms of reference, explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange's website and the Company's website.

### *Others*

36. 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 Secretary.
37. All members of the Remuneration Committee shall have access to the advice and services of the Secretary with a view to ensuring that procedures of the Remuneration Committee and all applicable rules and regulations are followed.
38. 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.
39. The Remuneration Committee shall consult the Chairman and/or the chief executive officer of the Company about their proposals relating to the remuneration of other executive Directors.