

**PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED**  
**(THE “COMPANY”)**

**TERMS OF REFERENCE OF**  
**THE REMUNERATION COMMITTEE THE COMPANY**  
**(THE “REMUNERATION COMMITTEE”)**

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*Constitution*

1. The board (the “**Board**”) of directors (the “**Director**”) of the Company resolved to establish a committee of the Board known as the Remuneration Committee on 7 March 2005.

*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.
3. Each appointment to the Remuneration Committee shall be for a period of up to three years.

*Chairman*

4. The Board shall appoint the chairman of the Remuneration Committee (the “**RC Chairman**”). The RC Chairman has the responsibility of liaising with the Board.
5. The RC Chairman shall chair the meetings of the Remuneration Committee.
6. 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.

*Quorum and voting at meetings*

7. 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.
8. Questions arising at any meetings of the Remuneration Committee shall be decided by a simple majority of votes.

*Attendance at meetings*

9. The company secretary of the Company shall be the secretary of the Remuneration Committee (the “**Secretary**”).
10. The Remuneration Committee members may attend meetings of the Remuneration Committee either in person or through other electronic means of communication (if

made available by the Company). Should any member of the Remuneration Committee wish to attend a meeting through electronic means of communication, prior arrangements shall be made with the Secretary.

11. The chairman of the Board (the “**Chairman**”) shall be in attendance with other members of the senior management of the Company if deemed appropriate and invited by the Remuneration Committee.

#### *Frequency of meetings*

12. At least one meeting of the Remuneration Committee will be held each year provided that any ad hoc meetings shall be convened as and when deemed necessary.

#### *Notice of meetings*

13. Meetings of the Remuneration Committee shall be convened by the Secretary at the request of any of the members of the Remuneration Committee.
14. 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.
15. 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.
16. 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*

17. 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.
18. 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.

19. 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.
20. 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.

#### ***Annual general meetings***

21. 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.
22. 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***

23. After each meeting, the RC Chairman shall report formally to the Board on all matters within its duties and responsibilities.
24. 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.
25. The Remuneration Committee shall, with the assistance of the Secretary, compile a report to the Shareholders on its role and activities which will be included in the Company's Corporate Governance Report.

#### ***Authority***

26. The Remuneration Committee is authorised by the Board with full power:
  - (a) to investigate any activity within its 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; and
  - (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.

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

27. The duties and responsibilities of the Remuneration Committee shall be:
- (a) 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;
  - (b) to determine the specific remuneration packages of all 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 factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Company and the subsidiaries of the Company and desirability of performance-based remuneration;
  - (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
  - (d) to review and approve the compensation payable to executive Directors and the senior management of the Company 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;
  - (e) 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;
  - (f) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;
  - (g) 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;
  - (h) 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;
  - (i) to make recommendation to the Board as deemed necessary or to take approved action if within delegated authority;

- (j) to address and deal with such other matters as may be delegated by the Board to the Remuneration Committee; and
- (k) to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Listing Rules.

*Others*

- 28. 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.
- 29. 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.
- 30. 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.
- 31. 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.