

CHINA VANGUARD GROUP LIMITED
(“Company”)

TERMS OF REFERENCE OF
REMUNERATION COMMITTEE
(“Committee”)

(Adopted by the board of directors of the Company on 25 May 2012)

Principle

This Committee is established under the board of directors (“**Board**”) of the Company pursuant to the requirement of the Rules (“**Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purposes of regulating the employment of senior management staff, optimizing the composition of the Board, establishing a vigorous remuneration system and evaluation system for the directors and senior management, and enhancing the corporate governance system.

Membership

1. The Committee shall consist of not less than three members appointed by the Board, a majority of whom should be Independent Non-Executive Directors. Any Committee member who resigns as a director of the Company shall become disqualified as the member of the Committee, and the Board shall appoint new member to fill the vacancy.
2. The Chairman of the Committee shall be appointed by the Board and shall be an Independent Non-executive Director. The Committee has the same term as the Board. Member of the Committee is eligible to be re-appointed upon expiry term. The Company’s Human Resources Department takes the lead and coordinates with relevant departments to provide necessary information regarding the Company’s operation management and personnel data to the Committee for approval, and to ensure that no director or any of his associates is involved in the determining his own remuneration.

Frequency and proceedings of meetings

3. The Committee should meet at least once a year. Additional meetings should be held as the work of the Committee demands. The Chairman of the Committee may convene additional meetings at his discretion.
4. Meetings should be conducted formally, agenda and relevant supporting materials should be distributed in advance, and meetings minutes should be compiled. The quorum for a meeting shall be two members. If members cannot attend the Committee’s meeting in person, members can take part in the meeting by telephone, video conferencing or through any other electronic medium (if any) and will be treated as attendance in person.
5. The Head of Human Resources shall act as the secretary of the Committee. The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

Authority

6. The Committee is empowered by the Board to perform its duties under the terms of reference.

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7. Every Committee member is entitled to one vote. A resolution shall be passed by a simple majority of votes.
8. The Committee is to be provided with sufficient resources to discharge its duties and is authorized by the Board to obtain outside legal or other independent professional advice at the Company’s expense. If necessary, external parties with relevant experience and professional knowledge can be invited to attend the meetings.

Duties

9. The duties of the Committee include the following:
 - (a) making recommendations to the Board on the Company’s policy and structure for all directors’ and senior management’s remuneration and on the establishment of a formal and transparent procedure for developing policy for such remuneration (shall consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group);
 - (b) reviewing the management’s proposals to the remuneration policy of Executive Director and senior management and making recommendations to the Board;
 - (c) reviewing and approving the management’s remuneration proposals with reference to the Board’s corporate goals and objectives;
 - (d) making recommendations to the Board on the remuneration packages of individuals Executive Directors and senior management. This should include benefits in kind, share option, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);
 - (e) making recommendations to the Board on the remuneration of Non-executive Directors;
 - (f) reviewing and approving 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 subject to relevant law, fair and not excessive;
 - (g) reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise lawful, reasonable and appropriate;

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- (h) ensuring that no director or any of his associates is involved in deciding his own remuneration;
- (i) doing any such things to enable the Committee to discharge its power and functions conferred on it by the Board. Also, upon invitation by the Chairman of the Board, the Committee’s Chairman or when he is absent, another Committee member or his authorized representative, will answer questions at the Company’s annual general meeting;
- (j) the committee is subordinate and accountable to the Board. The Board has the ultimate right to decide whether to adopt the Committee’s recommendation;
- (k) conforming to any requirements, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company’s constitution or imposed by legislation;
- (l) forming a view in respect of directors’ service contracts that require shareholders’ approval and advising shareholders as to whether the terms are fair and reasonable, advising whether such contracts are in the interests of the Company and its shareholders as a whole and advising shareholders (other than connected shareholders and shareholders with a material interest in the service contracts and their associate) on how to vote.

Reporting Procedures

- 10. Full minutes of the Committee meeting should be kept by a duly appointed secretary of the Committee. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.
- 11. The Committee shall report to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.

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