

LAI FUNG HOLDINGS LIMITED

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

**TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE
(the “Committee”)**

These terms of reference of the Committee were last revised by the board of directors of the Company (the “**Board**”) on 29 March 2012 and have been updated to include the relevant amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**” and the “**Listing Rules**” respectively) in force as from 1 April 2012.

1. Constitution

The Committee was established by a resolution of the Board passed on 18 November 2005 pursuant to the authority of the Board under the articles of association of the Company (the “**Articles of Association**”).

2. Membership

2.1 The members of the Committee shall be appointed by the Board from amongst the Directors of the Company and must comprise a minimum of two members. A majority of the members shall be Independent Non-executive Directors of the Company (“**INEDs**”).

2.2 The Chairman of the Committee shall be appointed by the Board and must be an INED.

3. Secretary

The Company Secretary of the Company or any such other person with appropriate qualifications and experience as may be approved by the Committee from time to time shall act as the secretary of the Committee.

4. Committee Meetings

4.1 The Committee shall meet at least once every year. Additional meetings may also be held by the Committee as it considers necessary.

4.2 The Chairman of the Committee may convene any meeting of the Committee at his/her discretion.

4.3 The quorum for any meeting shall be two members of the Committee, including at least one INED.

- 4.4 The Committee may, from time to time, invite any Director, employee or advisers to any Committee meeting, including but not limited to external advisers or consultants.
- 4.5 Proceedings of the Committee meetings, unless specifically provided for in these terms of reference, shall be governed by the relevant provisions of the Articles of Association where applicable.
- 4.6 Minutes shall be kept by the secretary of the Committee. Draft and final versions of the minutes shall be circulated to all members for their comments and records respectively, and in both cases within a reasonable period of time after the meeting.

5. Annual general meeting

The Chairman of the Committee or, in his/her absence, another member of the Committee shall attend the Company's annual general meeting and be prepared to answer questions thereat.

6. Authority, duties and responsibilities

- 6.1 The Committee shall make recommendations to the Board, in consultation with the Chairman of the Board and/or the Chief Executive Officer, on an appropriate policy and framework for all aspects of remuneration of all Directors and Senior Management, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights, so as to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.
- 6.2 The Committee shall review and make recommendations to the Board the management's remuneration proposals with reference to the Board's corporate goals and objectives.
- 6.3 The Committee shall be responsible for formulating and recommending to the Board for endorsement, in consultation with the Chairman of the Board and/or the Chief Executive Officer, all aspects of the specific remuneration packages of individual Executive Directors and Senior Management and the duration of their service contracts, if any.

The Committee shall also make recommendations to the Board on the remuneration of Non-executive Directors.

In performing this duty, the Committee shall take into consideration factors such as salaries and remuneration within the industry and in comparable companies, time commitment and responsibilities, employment conditions elsewhere in the Group and individual performance of the Directors and Senior Management concerned.

- 6.4 The Committee shall review and make recommendations to the Board the compensation payable to the Executive Directors and Senior Management for any loss or termination of their office or appointment to ensure that it is consistent with the relevant contractual terms and is otherwise fair, reasonable and not excessive.

The Committee shall also review and make recommendations to the Board the compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with the relevant contractual terms and are otherwise reasonable and appropriate.

- 6.5 The Committee shall be provided with sufficient resources to perform its duties. In carrying out its duties in accordance with these terms of reference, the Committee may obtain such outside or other independent professional advice as it considers necessary, in consultation with the Chairman of the Board and/or the Chief Executive Officer of the Company.
- 6.6 The Committee shall advise the shareholders of the Company on how to vote with respect to service contracts of the Directors and Senior Management that require shareholders' approval at general meetings under the Listing Rules from time to time.
- 6.7 The Committee shall ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

7. Reporting procedures

The Committee shall present to the Board, for inclusion in the corporate governance report which forms part of the Company's annual report, a summary of the work, including determining the policy for the remuneration of Executive Directors, assessing the performance of Executive Directors and making recommendations to the Board the terms of Executive Directors' service contracts (if any), performed by the Committee during the year.

8. Publication of the terms of reference

These terms of reference of the Committee shall be made available to the public by posting the same on the respective websites of the Company and the Stock Exchange.

Note:

Senior Management refers to the same persons referred to in the Company's annual report from time to time and is required to be disclosed under paragraph 12 of Appendix 16 to the Listing Rules.
