



凤祥食品

SHANDONG FENGXIANG CO., LTD.*

山東鳳祥股份有限公司

**Terms of Reference for the Remuneration Committee
of the Board of Directors**

Chapter 1 General

Article 1 To establish a comprehensive appraisal and remuneration system of directors and senior management of Shandong Fengxiang Co., Ltd.* (the “Company”) and to improve the corporate governance structure of the Company, the Company has established the remuneration committee of the board of directors (the “Committee”) and formulated these terms of reference in accordance with local and overseas supervision regulations for listed companies, including the Company Law of the PRC, the Securities Law of the PRC, the Code of Corporate Governance for Listed Companies, the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, relevant provisions of the Articles of Association of Shandong Fengxiang Co., Ltd.* (the “Articles of Association”) and other laws, regulations and normative documents.

Article 2 As a specialized body established by the Board in accordance with the Articles of Association, the remuneration committee shall, within its authorities, formulate the remuneration plans, performance appraisal systems and incentive plans of directors and senior managers and make recommendations to the Board. The Committee shall be accountable to the Board.

The senior management referred to in this Article is general manager, deputy general manager, chief financial officer, secretary of the Board and other senior management members recognized by the Board.

Chapter 2 Composition

Article 3 The Committee shall comprise three directors, over half of whom shall be independent directors.

Article 4 The members and chairman of the remuneration committee shall be nominated by the chairman of the Board, more than half of the independent non-executive directors or more than one-third of all directors for election by the Board.

Article 5 The remuneration committee shall have one chairman who shall be an independent non-executive director of the Board and be in charge of the work of the Committee.

Article 6 The term of office of the members of the remuneration committee shall be consistent with the term the directors. A member of the Committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. If any member ceases to be a director of the Company or ceases to have the independence as set out in the Articles of Association during his/her term of office, his/her membership in the Committee shall lapse automatically, and the vacancy shall be filled up by the Board in accordance with the Article 3 to Article 5 above.

Article 7 The remuneration committee shall have a working team to provide the operation information of the Company and the relevant information of personnel being appraised and to prepare for meetings of the Committee and implement the resolutions passed by the Committee.

Chapter 3 Duties

Article 8 The principal duties of the members of the Committee are: determining the criteria for the selection and appointment, the remuneration plans and appraisal of directors and senior management and to carry out appraisal and make recommendation, which shall at least include:

- (I) to make recommendations to the Board on the remuneration policies and package of all directors and senior management of the Company and the proper and transparent procedures for the formulation of remuneration policies;
- (II) to review and approve the remuneration proposals of the management with reference to the corporate targets and objectives set by the Board;
- (III) to make recommendations to the Board on remuneration package of individual executive directors and senior management members; this shall include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (IV) to make recommendations to the Board on the remuneration of non-executive directors;
- (V) to take into account the salary levels of comparable companies, time commitment and responsibilities and employment terms of other positions of the Group;
- (VI) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that the compensation is in compliance with contractual terms. In the event of any inconsistency with contractual terms, the compensation shall also be fair and reasonable but not excessive;
- (VII) to review and approve the compensation arrangement for dismissal or removal of directors for misconduct to ensure that it is in compliance with the contractual terms. In the event of any inconsistency with contractual terms, the compensation shall also be reasonable and appropriate;

(VIII) to ensure that no director or any of their associates participate in the decision of their own remuneration;

(IX) other duties commissioned by the Board; and

(X) to review and/or approve matters relating to share schemes under Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including any grants of options or awards to directors or senior management, and to make disclosure and give explanation in the corporate governance report on the appropriateness to approve such material matters (if any).

Article 9 The Committee may retain an external expert or an intermediary institution to provide professional advisory services when necessary. Any reasonable costs incurred shall be borne by the Company.

Chapter 4 Decision-making Procedures

Article 10 The working team shall facilitate the meetings of the Committee and collect and provide the following information of the Company in written form:

- (I) major financial indicators and fulfillment of operation objectives of the Company;
- (II) responsibility and performance of main duties of the senior management of the Company;
- (III) fulfillment of indicators in performance evaluation of the directors and senior management of the Company;
- (IV) operational performance of business development and profit-making capability of directors and senior management of the Company;
- (V) basis of the remuneration plans and allocation methods formulated according to the results of the Company; and
- (VI) other documents or information required by the remuneration and appraisal committee for the performance of its duties.

Article 11 The remuneration committee shall conduct the following appraisal of directors and senior management:

- (I) each of the directors and senior management of the Company shall report his/her work and self-evaluation to the remuneration committee of the Board;
- (II) the remuneration committee shall evaluate the performance of directors and senior management in accordance with the performance evaluation criteria and procedures;

(III) the remuneration and incentive of the directors and senior management shall be determined based on performance appraisal results and remuneration policies, and submitted to the Board after being passed by voting.

Chapter 5 Rules of Proceedings

Article 12 The remuneration committee shall convene at least two meetings each year, and a notice of meeting shall be given to all members seven days before the date of the meeting. Meetings shall be convened and chaired by the chairman of the Committee. In the event that the chairman of the Committee fails to attend the meeting, he may appoint another member who is an independent non-executive director to convene and chair the meeting.

Article 13 The quorum of a meeting of the remuneration committee shall be more than two thirds of the members (including proxies appointed in writing). Each member shall have one vote. A resolution of the meeting shall be passed by more than half of the members.

Article 14 Voting at the meeting of the remuneration committee shall be taken by a show of hands. An extraordinary meeting may be convened in the form of vote by correspondence.

Article 15 Other directors, supervisors and senior management of the Company may be invited to attend meetings of the remuneration committee when necessary.

Article 16 The remuneration committee may retain an intermediary institution to provide professional advice on its decision when necessary. Any reasonable costs incurred shall be borne by the Company.

Article 17 In the event that the discussion at a meeting of the remuneration committee is related to a member of the Committee, such member shall withdraw from discussion.

Article 18 The convening, voting and adoption of remuneration policies and allocation plans at a meeting of the remuneration committee shall comply with the applicable laws, regulations, the Articles of Association and these terms of reference.

Article 19 The remuneration committee shall keep minutes of the meetings. The members present at the meetings shall sign the minutes of the meetings that shall be kept by the secretary of the Company.

Article 20 Resolutions passed and voting results at meetings of the remuneration committee shall be reported in writing to the Board of the Company.

Article 21 All members of the Committee present at the meeting shall keep confidential all matters discussed at the meeting and shall not disclose the relevant information without authorization.

Chapter 6 Supplementary Provisions

Article 22 These terms of reference shall become effective from the date of listing of the H shares of the Company after being approved by the Board.

Article 23 For any matters not covered by these terms of reference, the relevant laws and regulations of the PRC and the Articles of Association shall apply. In the event that these terms of reference contravene any future laws and regulations or the Articles of Association as amended under legal procedures, the relevant laws and regulations of the PRC and the Articles of Association shall prevail. In such event, these terms of reference shall be amended immediately and submitted to the Board for approval.

Article 24 These terms of reference shall be formulated, amended and interpreted by the Board.

Shandong Fengxiang Co., Ltd.*
Board of Directors

* *For identification purpose only*

These Terms of Reference are prepared in Chinese. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.