

KOWLOON DEVELOPMENT COMPANY LIMITED
(“the Company”)

Terms of Reference
of
REMUNERATION COMMITTEE
(“the Committee”)

1. Constitution

The Board of Directors of the Company (“the Board”) resolved on 20 July 2005 to establish a committee of the Board known as the Remuneration Committee (hereinafter referred to as “the Committee”).

The Committee is established under delegation from the Board pursuant to Article 131 of the Company’s Articles of Association.

2. Membership

2.1 Members of the Committee shall be appointed by the Board and shall consist of not less than three members. A majority of the members should be Independent Non-executive Directors.

2.2 The Board shall nominate one of the Independent Non-executive Directors as the chairman of the Committee (“the Chairman”).

3. Secretary

3.1 The Company Secretary or such other person with appropriate qualification and experience as appointed by the Committee from time to time shall act as the Secretary of the Committee.

4. Frequency and proceedings of meetings

4.1 The Committee shall meet at least once every year. Additional meetings shall be held as the work of the Committee demands.

4.2 The Chairman may convene additional meetings at his discretion.

4.3 The quorum of a meeting shall be two members of the Committee who should be Independent Non-executive Directors.

4.4 The Committee may, from time to time, invite advisers to the meeting, including but not limited to external independent professional advisers or consultants to advise its members.

4.5 Proceedings of meetings of the Committee shall be governed by the provisions of Article 133 of the Articles of Association of the Company.

5. Annual General Meeting

5.1 The Chairman or another member of the Committee shall attend the Company’s annual general meeting and be available to answer questions at the annual general meeting.

6. Responsibilities, powers and functions

- 6.1 The Committee shall formulate remuneration policy for approval by the Board, which shall consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group, and implement the remuneration policy laid down by the Board.
- 6.2 The Committee shall, without prejudice to the generality of the foregoing:
- (i) make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. Remuneration levels should be sufficient to attract and retain Directors to run the Company successfully without paying more than necessary;
 - (ii) make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, which shall include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment, etc);
 - (iii) review and approve the management's remuneration proposals with reference to the Company's corporate goals, business objectives and targets;
 - (iv) make recommendations to the Board on the remuneration of Non-executive Directors;
 - (v) review and approve 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 fair and not excessive;
 - (vi) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
 - (vii) ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;
 - (viii) should consult the chairman of the Board about their remuneration proposals for other Executive Directors. The Committee should have access to independent professional advice if necessary;
(Note: Arrangement to seek professional advice could be made through the Company Secretary.)
 - (ix) 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;
 - (x) be provided with sufficient resources to perform its duties;
 - (xi) advise shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"); and
 - (xii) delegate such of its powers as the Committee deems appropriate to

management.

7. Reporting procedures

- 7.1 Minutes of meetings of the Committee shall be kept by the Secretary. Draft and final versions of minutes shall be circulated to all members for their comments and records respectively, in both cases within a reasonable period of time after the meeting. Such minutes shall be opened for Directors' inspection.
- 7.2 The Secretary shall circulate the minutes of meetings of the Committee to other members of the Board.
- 7.3 The Committee shall report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

8. Disclosures in the Annual Report to Shareholders

- 8.1 The role and function of the Committee.
- 8.2 The composition of the Committee and whether it comprises Independent Non-executive Directors, Non-executive Directors and Executive Directors (including their names and identifying the Chairman).
- 8.3 The number of meetings held by the Committee during the year to discuss matters and the record of attendance of members, by name, at meetings held during the year.
- 8.4 At least annually, the Committee should present to the Board a summary of the work, including determining the policy for the remuneration of Executive Directors, assessing performance of Executive Directors and approving the terms of Executive Directors' service contracts (if any), performed by the Committee. Disclose which of the two models of remuneration committee described in B.1.2(c) of the Listing Rules was adopted.
- 8.5 The Company should disclose details of any remuneration payable to members of senior management by band in the Annual Reports.

9. Publication of the Terms of Reference

- 9.1 The terms of reference explaining the Committee's role and the authority delegated to it by the Board will be posted on both the website of the Company (www.kdc.com.hk) and the Stock Exchange's website. A copy of the terms of reference will be made available to any person without charge upon request.

(These Terms of Reference approved by the Board on 29 March 2012.)