

Terms of Reference of Remuneration Committee

1. ESTABLISHMENT

1.1 The Remuneration Committee ("Remuneration Committee") of Oriental Watch Holdings Limited (the "Company") is established by the board of directors of the Company ("Board") to recommend to the Board on the Company's policy and structure for all remuneration of the Board member and senior management, on the establishment of a formal and transparent procedure for developing policy on such remuneration and to determine specific remuneration packages for the Company's directors ("Directors") and senior management.

1.2 Subject to the regulations contained in the Companies Act 1981 of Bermuda, the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and the Bye-Laws of the Company ("Bye-Laws"), the procedures of the Remuneration Committee shall be regulated by the provisions set out in these Terms of Reference (the "Terms of Reference").

2. COMPOSITION

2.1 The Remuneration Committee shall have at least three members (the "Members"), who shall be appointed by the Board out of their own number, a majority of them must be independent non-executive Directors of the Company.

2.2 The Board may nominate any one of the Members as the chairman of the Remuneration Committee and if no such Member is nominated, the Remuneration Committee shall elect one of the Members as the chairman of the Remuneration Committee, provided always that the chairman must be an independent non-executive Member.

2.3 At least one Member shall have knowledge in executive compensation, failing which, the Remuneration Committee shall have access to expert advice within the Company (from the Company's human resources function) or from external sources.

2.4 A Member who wishes to retire or resign from the Remuneration Committee shall serve sufficient prior written notice to the Company.

2.5 A Member who ceases to be a member of the Board shall immediately and automatically cease to be a Member of the Remuneration Committee.

3. FUNCTIONS, POWER AND DUTIES

3.1 The Remuneration Committee shall:

3.1.1 recommend to the Board on the Company's policies and structure for all remuneration of the Directors and senior management of the Group (see note 1) and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

3.1.2 have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including fees, salaries, allowances, bonuses, options, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments and make recommendations to the Board of the remuneration of non-executive directors. The recommendations from the Remuneration Committee should be made in consultation with and taking recommendations from the chairman of the Board and other advisers as appropriate and submitted for endorsement by the entire Board.

3.1.3 consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The determination of remuneration policies of executive Directors and senior management should also take into account the Company's relative performance and the individual's performance. The policies will ensure that remuneration is competitive wherever the Company operates and at a level which will enable the Company to attract, retain and motivate Directors and senior management of the appropriate calibre.

3.1.4 review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time and to identify components of pay which can best be used to encourage, enhance performance and focus management staff on achieving corporate objectives and reward for their individual contributions to the success of the Company, including identifying equity-based incentives such as share options.

3.1.5 review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their offices or appointments 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.

3.1.6 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.

3.1.7 ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

3.1.8 recommend to the Board the disclosure of details of the Company remuneration policies, level and mix of remuneration and procedures for setting remuneration and details of the specific remuneration packages of the Directors and senior management of the Company as required by the Listing Rules.

3.1.9 advise shareholders on how to vote with respect to any service contracts of Directors that require the approval of the shareholders of the Company under the Listing Rules.

3.1.10 consider and make recommendations on any other issues as requested by the Board.

4. RESOURCES

4.1 Subject to the Remuneration Committee not being able to have a Member who has knowledge in executive compensation, the Remuneration Committee is given the authority to access independent external research and appoint professional consultants to obtain updated comparative remuneration data as necessary to carry out its functions and to discharge its duties. The Remuneration Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any consultants to the Remuneration Committee. Expenditure for obtaining professional consultancy shall be subject to the Board's approval.

5. MEETINGS

5.1 The Remuneration Committee shall hold at least 1 meeting in each financial year of the Company to discharge its duties set forth in these Terms of Reference. The chairman or the secretary on the requisition of the chairman shall at any time summon a meeting of the Remuneration Committee.

5.2 Seven days' notice or such shorter notice as may be agreed by Members will be given by the secretary specifying the place, date, time and agenda of the meeting.

5.3 The chairman of the Remuneration Committee shall chair all the Remuneration Committee meetings. If no such chairman is appointed or if the chairman is not present within 15 minutes after the time appointed for holding any Remuneration Committee meeting, the Members present may choose one of their number who must be an independent Member to be the chairman of the meeting.

5.4 The quorum necessary for the transaction of the business of Remuneration Committee shall be two, at least one of them must be an independent Member who should chair the meeting and be given a casting vote in case of an equality of vote on any resolution.

5.5 Unless otherwise provided in these Terms of Reference, meetings and proceedings of the Remuneration Committee shall be governed by the Company's Bye-Laws regulating the meetings and proceedings of Directors and committees.

5.6 Questions arising at any Remuneration Committee meeting shall be determined by an independent majority of votes given that no Member shall vote on any recommendation on his/her remuneration.

5.7 The chairman (or in his/her absence, an alternative member) of the Remuneration Committee shall attend the annual general meetings of the Company and be prepared to answer questions concerning the remuneration of any Director.

5.8 The secretary shall minute the proceedings and resolutions of all meetings as well as keep appropriate records. Any minutes signed by the chairman of the meeting to which they relate or of the meeting at which they are read, shall be sufficient evidence without any further proof of the facts stated therein. Minutes of all meetings shall be circulated to all the Members and if the chairman of the Remuneration Committee so decides, be circulated to such other Director(s) who is / are not Member(s) of the Remuneration Committee.

6. REPORTING RESPONSIBILITIES

6.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

6.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its ambit where action or improvement is needed.

■ Note 1

■ For the purpose of these Terms of Reference, senior management should refer to the same category of persons as referred to in the Company's annual report and is required to be disclosed under paragraph 12 of Appendix 16 to the Listing Rules.