

普 洱 蘭 滄 古 茶 股 份 有 限 公 司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(t : 6911)

REMUNERATION AND APPRAISAL COMMITTEE OF
THE BOARD OF DIRECTORS TERMS OF REFERENCE

(A cab e I a ce f H S a e)

C a e I G e e a P

A c e 1 In order to further establish and improve the system for appraisal and remuneration management of the Directors and senior executives of Pu'er Lancang Ancient Tea Co., Ltd. (the "Company") and perfect the governance structure of the Company, the Company hereby sets up the Remuneration and Appraisal Committee of the Board of Directors and formulates these Terms of Reference in accordance with the *Company Law of the People's Republic of China* ("Company Law"), the *Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies*, the *Guidelines on the Bylaws of Listed Companies*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("HK Listing Rules"), the Articles of Association of Pu'er Lancang Ancient Tea Co., Ltd. ("Articles of Association"), the rules of procedure of the Board of Directors of the Company, and other applicable provisions.

A c e 2 The Remuneration and Appraisal Committee is a special working body under the Board of Directors and mainly responsible for making and reviewing the remuneration policy and scheme for the Directors and senior executives of the Company, setting the criteria of performance appraisal of the Directors and senior executives of the Company, and carrying out performance appraisal of the Directors and senior executives. The Remuneration and Appraisal Committee shall be responsible to the Board of Directors.

A c e 3 The Directors mentioned herein refer to those who receive remuneration from the Company; senior executives refer to the general manager, deputy general managers, financial director, and board secretary appointed by the Board of Directors as well as other senior executives specified by the Articles of Association.

C a e II C

A c e 4 The Remuneration and Appraisal Committee is composed of three or more Directors, a majority of whom shall be Independent Non-executive Directors.

A c e 5 The members of the Remuneration and Appraisal Committee shall be nominated by the chairman of the Board of Directors, one half or more of Independent Non-executive Directors, or one third or more of all Directors and be elected by the Board of Directors.

A c e 6 The Remuneration and Appraisal Committee shall have one chairman (convener), who shall be an Independent Non-executive Director, in charge of the work of the Remuneration and Appraisal Committee, and the chairman shall be appointed by the Board of Directors.

A c e 7 The secretary of the Company shall act as the secretary of the Remuneration and Appraisal Committee. If the secretary of the Company is absent from a meeting of the Remuneration and Appraisal Committee, the representative delegated by the secretary or any person designated by the members of the Remuneration and Appraisal Committee present at such meeting shall attend such meeting and take minutes of the meeting.

A c e 8 Each member of the Remuneration and Appraisal Committee shall disclose to the Remuneration and Appraisal Committee:

- (I) Any personal financial interest that he/she may have in any matter to be determined by the Remuneration and Appraisal Committee (unless he/she has such interest as a shareholder of the Company); or
- (II) Any potential conflict of interest arising from his/her holding of a concurrent capacity of director in any other company.

If the aforementioned interest exists, the member concerned must waive his/her power to vote on any resolution to be adopted by the Remuneration and Appraisal Committee, shall not participate in the discussion of such resolution, and must resign from the Remuneration and Appraisal Committee (if so required by the Board of Directors).

A c e 9 The term of office of a member of the Remuneration and Appraisal Committee shall be the same as that of the Board of Directors and a member of the Remuneration and Appraisal Committee may be reappointed if re-elected upon expiry of his/her term of office. A member of the Remuneration and Appraisal Committee shall not be removed from office for no reason before the expiry of his/her term of office, unless any circumstance under which he/she shall not be a member of the Remuneration and Appraisal Committee as required by the Company Law, the Articles of Association, the HK Listing Rules, or these Rules occurs. During the term of office, if a member

ceases to be a Director of the Company or to satisfy the independence requirements of the HK Listing Rules that he/she is required to satisfy as an Independent Non-executive Director, such member shall be automatically disqualified from the member of the Remuneration and Appraisal Committee and the Board of Directors shall fill the job vacancy in accordance with the provisions of Articles 4 to 6 hereof.

C a e III D e a d P "e

A c e 10 The Remuneration and Appraisal Committee mainly has the following duties and powers:

- (I) To exercise the duties and powers specified in corresponding provisions (as modified from time to time) of the code on corporate governance practices under Appendix 14 to the HK Listing Rules;
- (II) To discuss and review the remuneration policy and scheme for the Directors and senior executives so that the determined remuneration level is high enough to attract and retain the Directors to keep good operation of the Company without paying excessive remuneration; to ensure that any equity incentive provided and offered to Directors or senior executives complies with Chapter 17 of the HK Listing Rules (if applicable);
- (III) To put forward suggestions on the overall remuneration policy and structure for the Directors and senior executives of the Company and the establishment of normal and transparent procedure of making remuneration policy to the Board of Directors;
- (IV) To review and approve the management's remuneration suggestions according to the enterprise policy and objectives set by the Board of Directors;
- (V) Either of the following:
 - 1. To determine the remuneration of certain Executive Directors and senior executives as delegated by the Board of Directors; or
 - 2. To put forward suggestions on the remuneration of certain Executive Directors and senior executives to the Board of Directors;

The amounts of non-monetary benefits, pension rights, and compensation (including the compensation for lost or terminated post or appointment) shall be specified;

- (VI) To make recommendations on the remuneration of Non-executive Directors to the Board of Directors;
- (VII) To take into account the remuneration paid by the peer companies, time and duties required, and conditions of employment of other posts in the Company;

- (VIII) To review and approve the compensation that must be paid to an Executive Director or a senior executive for his/her lost or terminated duties or appointment to ensure that such compensation is in line with corresponding contractual clauses or that the compensation shall be fair and reasonable and not excessive when it is not in line with corresponding contractual clauses;
- (IX) To review and approve the compensation arrangement that may be involved when a Director is removed or dismissed for his/her misconduct to ensure that such arrangement is in line with corresponding contractual clauses or that the compensation shall be reasonable and appropriate when it is not in line with corresponding contractual clauses;
- (X) To ensure that neither a Director nor its contact (as defined in the HK Listing Rules) may participate in determining their own remuneration;
- (XI) To review and/or approve the matters involved in the share schemes specified in Chapter 17 of the HK Listing Rules;
- (XII) To be authorized by the Board of Directors to investigate any activities within its scope of authority and require any employee to provide any needed data, and each employee must cooperate as required by the Remuneration and Appraisal Committee;
- (XIII) To review performance of duties by the Directors and senior executives of the Company and appraise their annual performance;
- (XIV) Other matters specified by laws, regulations, normative documents, the HK Listing Rules, the securities regulatory authority of Hong Kong, the Articles of Association, or the rules of procedure of the Board of Directors or delegated by the Board of Directors.

A c e 11 The Board of Directors has the power to veto the remuneration plan or scheme that is harmful to the shareholders' interests.

A c e 12 The remuneration plan or scheme proposed by the Remuneration and Appraisal Committee for the Directors of the Company must be submitted to the Board of Directors for approval and may be implemented only after being submitted to and adopted at a general meeting; the remuneration distribution scheme for the senior executives of the Company must be submitted to the Board of Directors for approval. Relevant departments of the Company are obligated to cooperate with the Remuneration and Appraisal Committee in its work and provide it with relevant materials. Sufficient resources shall be supplied to the Remuneration and Appraisal Committee so that it can exercise its duties and powers.

A c e 13 The Remuneration and Appraisal Committee shall consult the chairman of the Board of Directors and/or the general manager about the remuneration of other Executive Directors. The Remuneration and Appraisal Committee may seek independent and professional opinions, where necessary.

A c e 14 The chairman of the Remuneration and Appraisal Committee must attend the annual general meetings of the Company and answer the shareholders' questions concerning the Remuneration and Appraisal Committee's duties and powers. If the chairman of the Remuneration and Appraisal Committee is unable to attend an annual general meeting, any other member of the Remuneration and Appraisal Committee or the duly authorized representative of the chairman shall attend the meeting.

A c e 15 The Remuneration and Appraisal Committee shall publish its duties and powers at the websites of the Stock Exchange of Hong Kong Limited and the Company to make explanations about its role and the powers delegated by the Board of Directors to it.

C a e IV Dec -Ma g P ced e

A c e 16 A working group shall be set up under the Remuneration and Appraisal Committee as a daily office body of the Remuneration and Appraisal Committee. The working group is responsible for making preliminary preparations for the decision-making work of the Remuneration and Appraisal Committee as required by the Remuneration and Appraisal Committee and providing the following materials about relevant aspects of the Company:

- (I) Achievement of main financial indicators and operation objectives of the Company;
- (II) Segregation of works among the senior executives of the Company and their major duties;
- (III) Achievement of the indicators involved in the performance appraisal system for the Directors and senior executives;
- (IV) The operation performance generated by the business innovation capability and profit-making capability of the Directors and senior executives;
- (V) Relevant calculation basis for drawing up the remuneration distribution plan and method of distribution according to the performance of the Company.

A c e 17 The procedure of appraisal for the Directors and senior executives by the Remuneration and Appraisal Committee is as follows:

- (I) The Directors and senior executives of the Company report their work to and make their self-appraisal before the Remuneration and Appraisal Committee;
- (II) The Remuneration and Appraisal Committee appraises the performance of the Directors and senior executives according to the performance appraisal criteria and procedure;
- (III) The Remuneration and Appraisal Committee proposes the amounts of remuneration payable and methods of reward for the Directors and senior executives according to the results of performance appraisal and remuneration distribution policy and, if adopted by voting, it shall report to the Board of Directors.

A c e 18 The Remuneration and Appraisal Committee must appraise and assess its effectiveness and the adequacy of its duties and powers each year and submit any suggestions and changes to the Board of Directors.

C a e V R e f P c e d e

A c e 19 The Remuneration and Appraisal Committee shall hold at least one meeting a year, notice of which shall be sent by its chairman (the convener) to all members seven days prior to the holding of the meeting; in case of emergency, the notice of meeting may be sent at any time by the convener by telephone or in any other oral manner provided that the convener shall make an explanation at the meeting. A meeting of the Remuneration and Appraisal Committee shall be presided over by the chairman. When the chairman is unable to attend the meeting, the meeting may be presided over by one member (an Independent Non-executive Director) entrusted by the chairman.

The chairman or more than two (inclusive) members of the Remuneration and Appraisal Committee may require the Remuneration and Appraisal Committee to hold an interim meeting. To hold an interim meeting, the notice of meeting may be sent at any time by the convener by telephone or in any other oral manner provided that the convener shall make an explanation at the meeting.

A c e 20 The members of the Remuneration and Appraisal Committee must personally attend the meetings of the Remuneration and Appraisal Committee and give their express opinions on the matters being deliberated at the meetings. If a member of the Remuneration and Appraisal Committee is unable to attend a meeting for any reason, he/she may entrust any other member to attend and give opinions at the meeting on behalf of him/her by submitting a power of attorney signed by him/her. The scope and term of authorization must be specified explicitly in the power of attorney. Each member may be entrusted by one member at the most. If a member (as an Independent

Non-executive Director) is unable to attend a meeting of the Remuneration and Appraisal Committee for any reason, he/she shall entrust any other member (as an Independent Non-executive Director) to attend the meeting on behalf of him/her.

A c e 21 A meeting of the Remuneration and Appraisal Committee may be held with the attendance of two thirds or more of the members of the Remuneration and Appraisal Committee; each member has one-vote voting power; and a resolution must be adopted by a majority of all members of the Remuneration and Appraisal Committee.

A member of the Remuneration and Appraisal Committee who has any interest in a matter for discussion at the meeting must be recused. If an effective opinion under deliberation cannot be given due to the recusal of a member of the Remuneration and Appraisal Committee, the matter concerned shall be deliberated directly by the Board of Directors.

A c e 22 If a meeting of the Remuneration and Appraisal Committee is held in the form of on-site meeting, the voting shall be carried out in the form of written open ballot; if by communications (such as teleconference and video conference), the voting shall be carried out by communications and a member of the Remuneration and Appraisal Committee shall be deemed as having attended the meeting and agreeing to the content of the resolution at the meeting if he/she signs the resolution.

The Remuneration and Appraisal Committee may hold a meeting at which voting is carried out by communications, where necessary.

A c e 23 The senior executives are obligated to provide the Remuneration and Appraisal Committee with sufficient well-timed data in time to assist the Remuneration and Appraisal Committee in making informed decisions. The data provided must be complete and reliable. The Remuneration and Appraisal Committee and its members may make further inquiry as they deem necessary and get in touch with senior executives independently by themselves.

A c e 24 The Remuneration and Appraisal Committee may invite the Directors, Supervisors, and senior executives of the Company to attend the meetings of the Remuneration and Appraisal Committee as non-voting delegates, where necessary, but a person who is not a member of the Remuneration and Appraisal Committee has no voting power.

A c e 25 The Remuneration and Appraisal Committee may engage an intermediary agency to provide professional opinions on its decisions at the expense of the Company, where necessary.

A c e 26 The procedure for convening a meeting, form of voting, and proposals adopted at a meeting of the Remuneration and Appraisal Committee must comply with the provisions and requirements of applicable laws, regulations, the HK Listing Rules, the competent securities regulatory authority, the Articles of Association, and these Rules.

A c e 27 The minutes of meetings of the Remuneration and Appraisal Committee shall be kept by the secretary of the Company and signed by the members who have attended the meetings. The matters under deliberation and the resolutions adopted at a meeting, including any doubts raised or dissenting opinions expressed by any member, shall be recorded in detail in the minutes of meeting. The draft and final version of the minutes of meeting shall be distributed to all members within a reasonable period after the meeting ends, the draft for expression of opinions by the members and the final version for filing. Upon receipt of a reasonable notice sent by any Director, the Company shall provide such Director with the minutes of meeting for review during reasonable hours.

A c e 28 The proposals adopted and the voting results reached at a meeting of the Remuneration and Appraisal Committee shall be reported in written form to the Board of Directors, unless they cannot be reported due to the conflict between reporting of such matters and the Remuneration and Appraisal Committee's general duties or the limitation imposed by laws, regulations, or regulatory provisions.

A c e 29 The members attending the meetings of the Remuneration and Appraisal Committee and the persons sitting in on such meetings shall keep confidential the matters for review and shall not disclose relevant information.

C a e VI S e e a P

A c e 30 The terms “or more of”, “or more” and “at least” used herein include the given figure; the term “majority of” used herein does not include the given figure.

A c e 31 These Rules and any modification hereof shall be deliberated and approved by the Board of Directors, enter into force and are put into effect as of the date when the H-shares issued by the Company are listed for trading on the Stock Exchange of Hong Kong Limited, and the Board of Directors is responsible for interpreting these Rules.

A c e 32 Any matters not covered herein shall be handled in accordance with relevant provisions and requirements of applicable laws, regulations, the HK Listing Rules, the competent securities regulatory authority, and the Articles of Association; in case of any conflict between these Rules and provisions and requirements of future laws, regulations, the HK Listing Rules, the competent securities regulatory authority, or the lawfully modified Articles of Association, the provisions and requirements of applicable laws, regulations, the HK Listing Rules, the competent securities regulatory authority, or the Articles of Association shall prevail, these Rules shall be modified, and the modification of these Rules shall be submitted to the Board of Directors for deliberation and approval.