



Courage Marine Group Limited

(勇利航業集團有限公司)

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1145)

(Singapore Stock Code: E91.SI)

TERMS OF REFERENCE FOR REMUNERATION COMMITTEE COURAGE MARINE GROUP LIMITED (THE "COMPANY")

1. Membership

- 1.1 The Remuneration Committee (the "Committee") shall be appointed by the Board of Directors of the Company (the "Board") from amongst its members, and shall comprise not fewer than three (3) members.
- 1.2 The Chairman of the Committee shall be elected by the Board.
- 1.3 The Committee shall comprise entirely of Non-Executive Directors (See Note 1 below), the majority of whom, including the Chairman of the Committee, shall be independent (see Note 2 below).
- 1.4 The Board shall ensure that the members are appropriately qualified to discharge their responsibilities.
- 1.5 The Committee should consult the chairman and/or chief executive officer about their proposals relating to remuneration of other executive. If necessary, the Committee should seek expert advice inside and/or outside the Company on remuneration of all Directors.
- 1.6 A member who wishes to retire or resign from the Committee shall notify the Board in writing, giving at least one (1) month's notice.
- 1.7 The office of a member shall become vacant upon the member's resignation, retirement, removal or disqualification as a Director of the Company.
- 1.8 Any vacancy in the Committee shall be filled within two (2) months.

Note 1

"Non-Executive Director" means a Director who is not an employee of, and does not hold any other office of profit in, the Company or any subsidiary or associated company of the Company in conjunction with his office of Director and his membership of the Committee.

Note 2

An "independent" Director is one who does not have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the functions

of the Committee.

An "independent" Director is one who has no relationship with the Company, its related companies (i.e. its subsidiaries, fellow subsidiaries or parent company) or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company. Examples of relationships which would deem a Director not to be independent, include:-

- (a) a Director being employed by the Company or any of its related companies for the current or any of the past three (3) financial years;
- (b) a Director who has an immediate family member (i.e. spouse, child, adopted child, step-child, brother, sister and parent) who is, or has been in any of the past three (3) financial years, employed by the Company or any of its related companies as a senior executive officer whose remuneration is determined by the Company's remuneration committee;
- (c) a Director, or an immediate family member, accepting any compensation from the Company or any of its subsidiaries other than compensation for board service for the current or immediate past financial year; or
- (d) a Director, or an immediate family member, being a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, or a Director of any for-profit business organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments in the current or immediate past financial year. As a guide, payments (except for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance, credit card or bank or brokerage or mortgage or insurance accounts or transactions), unless special or favourable treatment is accorded) aggregated over any financial year in excess of S\$200,000 should generally be deemed significant.

The four relationships set out above are not exhaustive, and are examples of situations which would deem a Director to be not independent. In addition to the above relationship, the factors set out in Rule 3.13 of the Listing Rules of The Stock Exchange of Hong Kong (HKEx Rules) shall be taken into account in assessing whether a non-executive director is "independent". In the event of any conflict between the above relationship and the factors set out in Rules 3.13 of HKEx Rules, the more onerous provisions shall prevail.

If the Company wishes, in spite of the existence of one or more of the relationships in the paragraph above or the factors set out in Rule 3.13 of HKEx Rules, to consider the Director as independent, it should disclose in full the nature of the Director's relationship and bear responsibility for explaining why the Director should be considered independent prior to his appointment.

2. Administration

2.1 Meetings

- (a) The Committee is authorised to meet together at any place for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and questions arising at any meeting shall be decided by a majority of votes. In the event of an equality of votes, the Chairman of the meeting at which the proceedings were held [shall have] a casting vote.
- (b) Any member of the Committee shall have full discretion to invite any Director or member of the management of the Company to attend meetings of the Committee.
- (c) The Committee shall cause minutes of all proceedings of the Committee to be

entered in the Minute Book of the Company and those minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

- (d) A resolution in writing signed by all the members of the Committee for the time being shall be valid and effectual as a resolution duly passed at a meeting of the Committee duly convened and held notwithstanding that such signing may take place at different times or places.
- (e) The notice and agenda of meetings shall be circulated at least seven (7) days before the scheduled meetings to all members of the Board/Committee.
- (f) A member of the Committee who is in any way whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of his interest at a meeting of the Committee.
- (g) A member of the Committee shall not vote in respect of any contract or proposed contract or arrangement with the Company in which he has directly or indirectly a personal material interest and if he shall do so his vote shall not be counted.
- (h) A member of the Committee shall abstain from voting on any resolutions in respect of his own remuneration package.

2.2 Quorum

No business shall be transacted at any meeting of the Committee unless a quorum is present when the meeting proceeds to business. For all purposes the quorum shall comprise a majority of the members of the Committee.

3. Duties and Responsibilities

3.1 The duties and responsibilities of the Committee shall be as follows:-

- (a) recommend to the Board a framework of remuneration, and the specific remuneration packages for each Director, the Chief Executive Officer ("CEO") (or executive of equivalent rank) (if the CEO is not a Director) and senior management (see Note 3).
- (b) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.
- (c) develop a formal and transparent procedure for executive remuneration and for fixing the remuneration packages of individual Directors, and recommend to the Board remuneration packages of individual Directors, CEO and senior management (see Note 4 below).
- (d) review what compensation commitments the Directors' contracts of service (see Note 5 below), if any, would entail in the event of early termination. The Committee should aim to be fair and avoid rewarding poor performance.
- (e) review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment 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;
- (f) 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;

- (g) consider whether Directors should be eligible for benefits under long-term incentive schemes (see Note 6 below).
- (h) prepare a remuneration report annually providing clear disclosure of the Company's remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, for recommendation to the Board for inclusion in the Company's annual report (see Note 7 below).
- (i) without prejudice to the generality of the paragraphs above, to have and exercise all the powers of the Board in respect of all matters relating to or in connection with the Courage Marine Employee Share Option Scheme approved by the shareholders of the Company on 24 August 2005 (the "Scheme") and all things incidental thereto including without limitation:-
 - (i) determining the Employees and Non-Executive Directors (both terms as defined in the Scheme) who shall participate in the Scheme and the number of options ("Options") to be granted to each such Employee and Non-Executive Director under the Scheme;
 - (ii) offering Options to eligible Executives and Non-Executive Directors;
 - (iii) determining the Exercise Price (as defined in the Scheme) of the shares of the Company arising from an exercise of Options based on the Rules in the Scheme;
 - (iv) deciding all questions arising in connection with the Scheme, including the eligibility of Employees and Non-Executive Directors, and approving all documents, letters of offer, agreements, instruments, undertakings, forms and announcements relating thereto;
 - (v) liaising with participants of the Scheme on behalf of the Company or the Board ;
 - (vi) dealing with all queries or matters from any regulatory authority or any other person;
 - (vii) allotting and issuing shares of the Company arising from an exercise of Options and instructing the Company Secretary of the Company on all matters relating thereto;
 - (viii) authorising the affixation of the Common Seal of the Company in accordance with the Articles of Association of the Company onto certificates of shares of the Company arising from an exercise of Options and any documents relating to or in connection with the Scheme;
 - (ix) making alterations to the Rules of the Scheme in accordance with the provisions thereof;
 - (x) exercising all discretions and doing all acts and things necessary or expedient to give effect to or in connection with the Scheme;
- (h) to report to the Board its findings from time to time on matters arising and requiring the attention of the Committee;
- (i) to undertake such other reviews, projects, functions, duties and responsibilities as may be requested by the Board; and

- (j) ensure that no Director or any of his associates is involved in deciding his own remuneration.

Note 3

The Committee's recommendations should be submitted for endorsement by the entire Board. The Committee should cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment).

Note 4

The level of remuneration should be appropriate to attract, retain and motivate the Directors required to run the Company successfully, but the Company should avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration packages, the Company should be aware of pay and employment conditions within the industry and in comparable companies and consider factors such as time commitment and responsibilities of the Directors, employment conditions elsewhere in the group and desirability of performance-based remuneration. But the Company should use such comparison with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance.

The performance-related elements of remuneration should be designed to align interests of Executive Directors with those of shareholders of the Company and link rewards to corporate and individual performance. There should be appropriate and meaningful measures for the purpose of assessing Executive Directors' performance.

The remuneration of Non-Executive Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised.

Note 5

There should be a fixed appointment period for all Executive Directors in their service contracts. Service contracts should not be excessively long or have onerous removal clauses.

Notice periods in service contracts should be set at a period of six (6) months or less. If it is necessary to offer longer notice periods to new Directors recruited from outside, such period should reduce to six (6) months or less after the initial notice period.

Note 6

Long-term incentive schemes are generally encouraged. The costs and benefits of longterm incentive schemes should be carefully evaluated. In normal circumstances, offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time. The use of vesting schedules, whereby only a portion of the benefits can be exercised each year, is also strongly encouraged. Directors should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.

Note 7

In the remuneration report, the Company should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key executives, and performance.

The Company should report to the shareholders of the Company each year on the remuneration of Directors and at least the top five (5) key executives (who are not also Directors) of the Company. This annual remuneration report should form part of, or be annexed to the Company's annual report of its Directors. It should be the main vehicle through which the Company reports to shareholders on remuneration matters. The members of the Committee should be listed in the report.

The report should set out the names of Directors and at least the top five (5) key executives (who are not also Directors) earning remuneration which falls within bands of S\$250, 000. There will be no upper limit. Within each band, there will be a breakdown (in percentage terms) of each Director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives. Companies are however encouraged, as best practice, to fully disclose the remuneration of each individual Director.

For transparency, the report should disclose the same details of the remuneration of employees who are immediate family members (Le. spouse, child, adopted child, stepchild, brother, sister and parent) of a Director or the CEO, and whose remuneration exceed S\$150,000 during the year. This can be done on a no-name basis with clear indication of which Director or the CEO the employee is related to

The report should also contain details of employee share schemes to enable shareholders of the Company to assess the benefits and potential cost to the Company. The important terms of the share schemes, including the potential size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market price or otherwise on the date of grant, the market price on the date of exercise, the vesting schedule, and the justifications for the terms adopted, should be disclosed.

4. Reporting Procedure

- 4.1 The minutes of all meetings of the Committee shall be circulated to all members of the Board.

Note:

in the event of any inconsistency, the English language text of these terms of reference shall prevail over the Chinese language text.