

CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED
中國中地乳業控股有限公司

TERMS OF REFERENCE
OF THE REMUNERATION COMMITTEE

China ZhongDi Dairy Holdings Company Limited
中國中地乳業控股有限公司
(incorporated in the Cayman Islands with limited liability)
(the “**Company**”)

TERMS OF REFERENCE
OF THE REMUNERATION COMMITTEE
ADOPTED BY THE BOARD ON SEPTEMBER 24, 2015

1. Membership

- (a) The remuneration committee of the Company (the “**Committee**”) shall be appointed by the board of directors of the Company (the “**Board**”) and shall consist of not less than three members, a majority of whom shall be independent non-executive directors of the Company (the “**INEDs**”). The constitution of the Committee shall comply with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Exchange**”) (the “**Listing Rules**”) as amended from time to time. LR 3.25
- (b) The Committee shall be chaired by an INED. LR 3.25

2. Attendance at Meetings

- (a) At all times the members of the Committee shall be notified of and be invited to all meetings of the Committee and may attend all the meetings of the Committee, provided that a member shall not be involved in deciding his or her own remuneration package or benefits. App 14-B.1
- (b) The quorum of a meeting of the Committee shall be two members of the Committee, of whom at least one shall be an INED. No member shall attend any meeting at which his or her own remuneration package or benefits are being discussed. App 14-B.1
- (c) The Committee may, if necessary, invite other advisors to attend the meetings of the Committee, including but not limited to external professional advisors or consultants to advise its members. App 14-B.1.1, B.1.4

(d) The company secretary shall be the secretary of the Committee and shall attend all meetings of the Committee.

App 14-
A.1.4, F.1.4

(e) Members of the Committee may participate in a meeting of the Committee by means of a conference telephone or other communications equipment through which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

App 14-
A.1.7 Note

3. Frequency and Proceedings of Meetings

(a) Meetings of the Committee shall be held not less than once a year. The Chairman of the Committee (“**Chairman**”) or any two members of the Committee may request a meeting if they consider it necessary. Upon the receipt of such request, the secretary of the Committee shall convene a meeting as soon as reasonably practicable and having regard to the convenience of all members.

(b) Unless otherwise agreed by all the members of the Committee, a meeting shall only be called with at least seven days’ prior notice.

4. Committee’s Resolutions

A resolution in writing signed by all the members of the Committee shall be as valid and effective as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the members of the Committee. Such resolution may be signed and circulated by facsimile or other forms of electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a Board or Committee meeting to be held.

5. Authorities and Purposes

(a) The Committee is authorised by the Board to review, assess and make recommendations on any issue in these terms of reference of the Committee.

LR 3.26,
App 14-
D.2.1

- (b) The Committee shall utilise information received internally and externally to satisfy itself that base salaries and the total remuneration package and benefits offered by the Company are fair, reasonable and competitive in the current market conditions and compared to other companies of a similar size, business nature and scope as the Company. App 14-
B.1, B.1.2(e)
- (c) The purpose of the establishment of the Committee is to enable the Company to be more transparent and objective in the setting of its remuneration in respect of the directors and senior management of the Company. App 14-
B.1, B.1.1
- (d) The Committee must ensure that the directors and senior management of the Company are fairly rewarded in light of their contribution to the Company and their performance and that they receive appropriate incentives to maintain high standards of performance and to improve their performance and the Company's performance. App 14-
B.1, B.1.7
- (e) The Committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors. The remuneration committee should have access to independent professional advice if necessary. App 14-
B.1.1
- (f) The Committee is authorised by the Board, and at the reasonable expense of the Company, to obtain legal or other independent professional advice and to secure the attendance of other persons with relevant experience and expertise in the meetings of the Committee if it considers this necessary. App 14-
B.1.1, B.1.4
- (g) The Committee should make available its terms of reference explaining its role and the authority delegated to it by the Board by including them on the Exchange's website and the Company's website. The terms of reference of the Committee shall be provided upon request and the role and function of the Committee shall be explained in the corporate governance report in the annual report of the Company. App 14-
B.1.3, L.(a)
- (h) A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance. Where the Board resolves to approve any remuneration or compensation arrangements with which the Committee disagrees, the Board should disclose the reasons for its resolution in its next corporate governance report. App 14-
B.1.7, B.1.6;
- (i) The Committee shall be provided with sufficient resources to perform its duties. App 14-
B.1.4

6. Duties

The duties of the Committee shall be:

- (a) to assess, review and make recommendations once a year or as and when required, to the Board in respect of the remuneration packages and overall benefits for the directors and senior management of the Company;
- (b) to make recommendations to the Board in relation to all consultancy agreements and service contracts or any variations, renewals or modifications thereof, entered into between the Company and the directors and senior management of the Company or any associate company of any of them;
- (c) to consider what details of the remuneration/benefits of the directors and senior management of the Company should be reported in the Company's corporate governance report in the annual report and accounts in addition to those required by law and how those details should be presented, including the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts, performed by the remuneration committee and whether the Committee, with delegated responsibility, determines the remuneration packages of individual executive directors and senior management, or make recommendations to the board on the remuneration packages of individual executive directors and senior management; App 14-
L.(d)(i)
- (d) to 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; App 14-
B.1.2(a)
- (e) to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives; App 14-
B.1.2(b)
- (f) to make recommendations to the board on the remuneration packages of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; App 14-
B.1.2(c)

- (g) to make recommendations to the Board on the remuneration of non-executive directors; App 14-B.1.2(d)

- (h) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company's subsidiaries; App 14-B.1.2(e)

- (i) to 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; App 14-B.1.2(f)

- (j) to 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; App 14-B.1.2(g)

- (k) to ensure that no director or any of his associates is involved in deciding his own remuneration; App 14-B.1.2(h)

- (l) to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and

- (m) to 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 the Listing Rules or any applicable law.

7. Reporting Procedures

- (a) The Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements). At the next meeting of the Board following a meeting/written resolution of the Committee, the secretary of the Company shall submit to the Board copies of the minutes/written resolutions setting out the findings, recommendations and decisions of the Committee. App 14-
D.2.2
- (b) Full minutes of meetings of the Committee shall be kept by the secretary of the Committee. Draft and final versions of minutes of meetings of the Committee shall be sent to all members of the Committee for their comment and records respectively, in both cases within 7 days after the meeting is held. App 14-
A.1.4,
A.1.5
- (c) The Committee shall make available the Chairman (or in his absence, at least one of its members) to attend the Company's annual general meeting to answer shareholders' questions about issues. App 14-
E.1.2

8. Revision of the terms of reference

These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements (e.g. the Listing Rules). Any amendment to these terms of reference shall be by way of resolution of the Board of the Company and shall be in full compliance with the Listing Rules and any other regulatory requirements.