

**CHINA LIANSU GROUP HOLDINGS LIMITED**  
**(THE “COMPANY”)**

**TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE**  
**(THE “COMMITTEE” )**

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**1. Constitution**

1.1 The Committee is established pursuant to a resolution passed by the Board at its meeting held on 14 May 2010.

**2. Membership**

2.1 Members of the Committee shall be appointed by the Board from amongst the members of the Board and shall consist of not less than three members and a majority of which should be independent non-executive directors of the Company. The initial members of the Committee are Mr. Wong Luen Hei, Mr. Zuo Manlun, Mr. Fung Pui Cheung, Mr. Bai Chongen and Mr. Wong Kwok Ho Jonathan.

2.2 The Chairman of the Committee shall be appointed by the Board. Mr. Wong Luen Hei is the first Chairman.

2.3 The secretary of the Committee shall be appointed by the Board. Mr. Zuo Manlun is the first secretary of the Committee.

2.4 The appointment of the members or secretary of the Committee may be revoked or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the

Committee.

### **3. Proceedings of the Committee**

#### **3.1 *Notice***

- (a) Unless otherwise agreed by all the Committee members (either orally or in writing), a meeting shall be called by giving at least seven days' notice.
- (b) A Committee member may and, on the request of a Committee member, the secretary to the Committee shall, at any time summon a Committee meeting. Notice shall be given to each Committee member in person orally or in writing or by telephone or by email or by facsimile transmission at the telephone or facsimile or address or email address from time to time notified to the secretary by such Committee member or in such other manner as the Committee members may from time to time determine.
- (c) Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting.
- (d) Notice of meeting shall state the purpose, time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the meeting. In respect of regular meetings of the Committee to be held as

mentioned in clause 3.3 below, and so far as practicable for all other meetings of the Committee, the agenda and accompanying papers shall be sent in full to all the members of the Committee in a timely manner and at least 3 days before the intended date of the meeting of the Committee (or such other period as all the Committee members may agree).

3.2 **Quorum:** The quorum of the Committee meeting shall be two members of the Committee, the majority of which shall be independent non-executive directors.

3.3 **Frequency:** Meetings shall be held at least once every year to set policy on executive directors' remuneration and to fix the remuneration packages for all directors.

3.4 **Vote:** No Committee member may vote on any resolution of the Committee regarding his own remuneration.

3.5 **Written resolutions:** Written resolutions may be passed by all Committee members in writing.

#### **4. Overriding principles**

4.1 Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose.

4.2 No director should be involved in deciding his own remuneration.

4.3 The Committee should consult the chairman and/or chief executive

officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.

## **5. Alternate Committee members**

5.1 A Committee member may not appoint any alternate.

## **6. Authority of the Committee**

6.1 The Committee may exercise the following powers:

- (a) to review any proposed service contract with any director or senior management before such contract is entered into and to make recommendation to the Company's human resources department for any changes to the proposed terms of such contract;
- (b) to make recommendations regarding the remuneration, bonuses and welfare benefits of the executive directors and the senior management;
- (c) to request the Board to convene a shareholders' meeting (if necessary) for purposes of removing any director and to dismiss any employees if there is evidence showing that the relevant director and/or employee has failed to discharge his duties properly;
- (d) to obtain outside legal or other independent professional advice at the cost of the Company on any matters within these terms of

reference as it considers necessary and to secure the attendance of outsiders with relevant experience and expertise at its meetings, if it considers this necessary;

(e) to have access to sufficient resources in order to perform its duties;

(f) to review annually these terms of reference and their effectiveness in the discharge of its duties and to make recommendation to the Board any changes it considers necessary; and

(g) to exercise such powers as the Committee may consider necessary and expedient so that their duties under section 7 below can be properly discharged.

6.2 The Committee should be provided with sufficient resources to discharge its duties.

## **7. Duties**

7.1 The duties of the Committee shall be:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

- (b) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payment, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Committee should 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;
- (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to 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;
- (e) to 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;

(f) to ensure that no director or any of his associates is involved in deciding his own remuneration;

(g) to report to the Board on the matters set out in the code provisions contained in the Code on Corporate Governance Practices set out in (and as amended from time to time) Appendix 14 to the Listing Rules; and

(h) to consider other matters, as defined or assigned by the Board from time to time.

## **8. Reporting procedures**

8.1 Full minutes of the meetings of the Committee and all written resolutions of the Committee should be kept by the secretary of the Committee.

8.2 The secretary of the Committee shall circulate the draft and final versions of minutes of the meeting of the Committee or, as the case may be, written resolutions of the Committee to all members of the Committee for their comment and records respectively within a reasonable time after the meeting or the passing of the written resolutions.

8.3 The secretary of the Committee shall keep record of all meetings of

the Committee held during each financial year of the Company and records of individual attendance of members of the Committee, on a named basis, at meetings held during that financial year.

## **9. Continuing application of the articles of association of the Company**

9.1 The articles of association of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

## **10. Powers of the Board**

10.1 The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules or if adopted by the Company, the Company's own code of corporate governance practices), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

14 May 2010