



DAISHO MICROLINE HOLDINGS LIMITED

大昌微綫集團有限公司

Terms of Reference of the Remuneration Committee

(adopted on 22 December 2005)

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1. Constitution

- 1.1 The Board of Directors (the “Board”) of Daisho Microline Holdings Limited (the “Company”) had resolved on 22 December 2005 to establish a committee known as the Remuneration Committee (the “Committee”) to assist the Board to formulate and review the remuneration policy and the specific remuneration packages of all executive directors and senior management of the Company and its subsidiaries (collectively, the “Group”).

2. Membership

- 2.1 The Committee members shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than three members. The majority of the Committee members must be independent non-executive directors.
- 2.2 The Chairman of the Committee shall be an independent non-executive director of the Company as appointed by the Board.
- 2.3 The terms of office of the Committee members shall be determined by the Board.
- 2.4 The quorum of the Committee shall be any two Committee members.
- 2.5 The Company Secretary of the Company, or any person duly appointed by the Committee, shall act as the secretary of the Committee.

3. Attendance at Meetings

- 3.1 Only members of the Committee have the right to attend Committee meetings. The Committee may invite persons, including the Chairman, the Chief Executive Officer and other senior management of the Company or the Group, to attend meetings where appropriate to assist in the effective discharge of the Committee’s duties.

4. Frequency of Meetings

- 4.1 The Committee shall meet at least one time a year. Any Committee member or the secretary of the Committee may convene Committee meeting if necessary.

5. Minutes

- 5.1 Full minutes of the Committee meeting should be kept by the secretary of the Committee. Draft and final version of minutes of the Committee meeting should be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

6. Authority

- 6.1 The Committee should consult the Chairman and/or the Chief Executive Officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.
- 6.2 The Committee should be provided with sufficient resources to discharge its duties.

7. Terms of Reference

The specific duties of the Committee shall be:

- 7.1 to make recommendations to the Board on the Group'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;
- 7.2 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 payments, 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;
- 7.3 to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- 7.4 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 Group;
- 7.5 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; and
- 7.6 to ensure that no director or any of his associates is involved in deciding his own remuneration.

Note: The Committee shall advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under Rule 13.68 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.