

UNITED PACIFIC INDUSTRIES LIMITED

(Incorporated in Bermuda with limited liability)

CHARTER OF THE COMPENSATION COMMITTEE

Proposed by the Compensation Committee on 16 July 2004

Approved by the Board of Directors on 16 July 2004

PURPOSE

The primary function of the Compensation Committee ("Committee") is to advise the Board of Directors ("Board") of United Pacific Industries Limited (the "Company") on compensation issues generally relating to the Company and its subsidiaries ("UPI Group"), and in particular, relating to directors holding executive positions in the Company and key management personnel of the Company (collectively, "Key Managers") as well as key management personnel of the UPI Group reporting directly to any or all of such executive directors (collectively, "Direct Reports"), having regard to the philosophy that a meaningful portion of management's compensation should be contingent upon financial performance in order to foster the creation of long term shareholder value.

COMPOSITION

The Committee is a committee of the Board and shall be composed of up to three (3) directors who must be free of any relationship that, in the reasonable opinion of the Board, could materially interfere with their exercise of independent judgment in discharging their duties as a Committee member. At least one member of the Committee shall be knowledgeable in the field of executive compensation.

The members of the Committee shall be elected by the Board at the annual organisational meeting of the Board to be held once in every calendar year at such time as the Board may decide such that there shall be an interval of at least six (6) months between each such organisational meeting. Members of the Committee shall hold office until the next annual organisational meeting of the Board or until their successors shall be duly elected and qualified, whichever is later. Members of the Committee shall be eligible for reappointment. The Board may elect a director to the Committee at any time to fill a vacancy arising.

The members of the Committee shall appoint a chairman ("Chairman") from among themselves.

RESPONSIBILITIES

The Committee shall have the following responsibilities:

1. Advise the Board on compensation theory and practice, as well as best practice as it relates to cash and non-cash compensation and trends.
2. Review management's appraisal on the current market situation as it relates to compensation in the electronics and/or related industries (collectively, the "Industry")., and management's recommendation of the overall aggregate

adjustments that should be made at the next annual review of compensation for all general staff and/or Key Managers and Direct Reports.

3. Recommend to the Board the percentage of overall aggregate compensation adjustments for general staff, other than Key Managers and Direct Reports, having considered management's appraisal and recommendation thereon. For the avoidance of doubt, the specific components of compensation packages for general staff other than Key Managers and Direct Reports shall be determined by the management subject to overall limits that may be set by the Committee and provided that the management shall not determine any equity and equity-related incentives without first consulting the Committee.
4. Formulate, review and/or revise the compensation packages ("Compensation Packages") of Key Managers and Direct Reports and recommend such Packages and other compensation schemes to the Board, bearing in mind the following:
 - In formulating the Compensation Packages, the Committee may consult experts on compensation issues, legal counsel and other professionals (collectively, "Professionals").
 - The Committee shall take into consideration pay and employment conditions within the Industry and comparable companies which shall be provided by the management not later than six months before the annual compensation review, and which the Committee may also obtain from Professionals, if desired.
 - All aspects of employment and compensation shall be addressed, including but not limited to salaries, and other terms of service contract including its duration. Compensation Packages may include cash and non-cash components, including without limitation bonuses, stock options, restricted stock awards, other forms of incentives and deferred compensation, housing and transport allowances and other benefits in kind. Vesting over time of deferred compensation such as stock options and stock awards should be encouraged.
 - The Compensation Packages should be designed to align the interests of management executives with long term interests of shareholders, based on the principle that a meaningful proportion of such compensation should be related to corporate performance and individual performance, measured in particular by economic value added where appropriate.
 - Management should be encouraged to hold shares in the Company on a long term basis, and should be discouraged from engaging in trading in Company stock for "short swing" profits.
5. Recommend to the Board for consideration the appropriate compensation for each non-executive director, although the Board shall make the final recommendation of the compensation of non-executive directors for approval at

the Company's annual general meeting. In formulating its recommendations, the Committee shall take the following into consideration:

- Responsibilities assumed by the non-executive director, such as membership in Board committees, level of contribution including attendance and participation in Board and/or committee meetings.
 - Whether it is appropriate to invite non-executive directors to participate in long-term incentive schemes, such as stock options, restricted stock awards and other forms of deferred compensation which may vest over a period of time.
 - Compensation should not be overgenerous to compromise the independence of non-executive directors.
 - No director shall participate in determining his or her own compensation.
6. Report to the full Board on the activities of the Committee at the Board meeting next following each meeting of the Committee.
 7. Formulate, review, revise and recommend the implementation of all incentive schemes, whether equity-related or otherwise, and allocate stock options and other equity incentives, if any, to directors, Key Managers, management and staff. The grant of such incentives shall be at the Board's discretion after reviewing the Committee's recommendations.
 8. Review and assess the performance of management as a whole and of each Key Manager, and for this purpose, recommend the adoption of appropriate and meaningful measures for assessing performance.
 9. Engage in informal consultation with management on compliance with disclosure requirements on compensation, compensation strategies and any other related issues that may arise from time to time.
 10. Perform such other functions as may be required by law, the Company's by-laws, or by the Board, from time to time.

AUTHORITY

The Committee shall have all authority necessary to carry out its responsibilities. Without prejudice to the generality of the foregoing, the Committee shall have authority at its absolute discretion to do the following:

- Engage Professionals on compensation issues, if considered necessary or desirable. In the event any such Professional is engaged by the Committee, the Company shall be responsible for such Professional's agreed fee. The Committee shall keep the Board properly informed of the terms of such Professional's engagement.

- Require management to provide an appraisal of compensation within the Industry within such parameters as the Committee may determine, including (i) the period to be covered by the report, (ii) forms of compensation to be considered which should also include stock options and other equity incentive schemes, if any, for the next financial year, and (iii) the time frame for producing the appraisal which should preferably be provided to the Committee not later than six months before the annual compensation review.
- Require management, internal and external auditors and all other relevant officers or personnel of the UPI Group to provide all relevant information in connection with or incidental to compensation issues, and for this purpose, the Committee shall have unrestricted access to all books, records and all sources of information maintained by the UPI Group.

MEETINGS

The Committee shall meet for regular standing meetings twice per year and at other times as required. Meetings may be held in person, or via conference by telephone or other electronic means in which every member is able to hear and communicate with each other at the same time. A majority of the Committee shall constitute a quorum. All questions arising at a meeting of the Committee shall be decided by majority vote. In the event the votes are evenly divided, the Chairman shall be entitled to a second or casting vote.

MINUTES

The minutes of each Committee meeting ("Minutes") shall be taken and recorded in written form, and thereafter distributed to the Committee members for approval prior to or at the next such meeting. The Minutes shall be signed by the Chairman, and any such duly signed Minutes shall be conclusive evidence of events that transpired at the meeting. A copy of the Minutes duly signed shall be sent to the Company Secretary for permanent filing.

AMENDMENTS TO THE CHARTER

This Charter may only be amended by the Board.