



## AUSNUTRIA DAIRY CORPORATION LTD

### 澳優乳業股份有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 1717)

(the “Company”)

---

#### TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

---

**ADOPTED BY THE BOARD ON 19 SEPTEMBER 2009  
AND AMENDED BY THE BOARD ON 28 MARCH 2012**

#### 1. Membership

Code  
Provision

- (a) The Remuneration Committee (hereinafter referred to as the “Committee”) shall be appointed by the board of directors of the Company (“Board”). The Committee shall consist of not less than four members, a majority of whom should be independent non-executive directors of the Company (“INEDs”). The constitution of the Committee shall comply with the requirements of the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) from time to time.
- (b) The chairman of the Committee shall be one of the INEDs appointed by the Board.

B.1.1

#### 2. Attendance at Meetings

- (a) Unless otherwise stated herein, the meetings of the Committee are governed by the provisions contained in the Company's articles of association for regulating the meetings and proceedings of directors.
- (b) The quorum for a meeting of the Committee shall be two members, both of whom must be INEDs.
- (c) The chairman of the Board (“Chairman”) may attend meetings of the Committee, provided always that he shall not be in attendance when his own remuneration package or benefits are being discussed.

- (d) The Committee may, where appropriate, invite external advisers and/or members of the management of the Company to attend the meeting to advise its members.
- (e) The company secretary shall be the secretary of the Committee who should attend all meetings of the Committee.
- (f) Members of the Committee may participate in a meeting of the Committee by means of telephone conference or similar communications equipment by means of which all persons participating in the meeting can hear each other and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

### **3. Frequency of Meetings**

Meetings shall be held not less than once a year. Any member of the Committee may request a meeting if he/they consider(s) that one is necessary and 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 with priority given to the INEDs.

### **4. Committee's Resolutions**

A resolution in writing signed by all members of the Committee shall be as valid and effectual 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 Committee. Such resolution may be signed and circulated by fax or other 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**

- (a) The Committee is authorised by the Board to review, assess and make recommendations upon any issue within its terms of reference. It is authorised to seek any information it requires from any employee or executive director and such persons are directed to co-operate with any request made by the Committee.
- (b) The Committee is authorised by the Board, and at the reasonable expense of the Company, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- (c) The Committee is to be provided with sufficient resources to discharge its duties. B.1.4

## 6. Purpose and General Responsibilities

- (a) The purpose of the establishment of the Committee is to ensure the presence of a formal and transparent procedure for setting policy on the remuneration packages of the Chairman, the executive directors and the senior management of the Company.
- (b) The Committee is to review and make recommendations concerning the remuneration packages and benefits of the Chairman, the executive directors and the senior management of the Company as an independent and impartial committee, who have no personal financial interest in the package and/or benefits recommended and who, in the setting of those remuneration packages, will consider and give due regard to both the performance levels of, and a fair reward for, the Chairman, executive directors and the senior management of the Company and to the interest of all the shareholders of the Company in the light of the financial and commercial circumstances of the Company from time to time. No director shall be involved in deciding his own remuneration.
- (c) The Committee should utilise information obtained internally and externally to satisfy itself that basic salaries are competitive with current market conditions and that the total remuneration package/benefits are competitive with other companies of a similar size, business nature and scope as the Company.
- (d) The Committee must ensure that the Chairman, the executive directors and the senior management of the Company are fairly rewarded in the light of their contribution to the Company and their performance and that they receive suitable incentives to maintain high standards of performance and to improve their, and the Company's, performance.
- (e) The Committee should consult the Chairman and/or chief executive of the Company about their remuneration proposals for other executive directors. The Committee should have access to professional advice if necessary. B.1.1

## 7. Duties

The duties of the Committee shall be:

- (a) to assess, review and make recommendations to the Board, once a year or as and when required, in respect of the remuneration packages and overall benefits for the Chairman, the executive directors and the 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 of the Company or any associate company of any of them;
- (c) to consider what details of the Chairman's and executive directors' and senior management's remuneration/benefits should be disclosed in addition to those required by law or the Listing Rules in the Company's annual report and how those details should be presented; B.1.8

- (d) to be charged with the responsibility of making 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 and also placing recommendations before the Board concerning the total remuneration and/or benefits granted to the directors and senior management from time to time; B.1.2(a)
- (e) to recommend, with delegated responsibility, the remuneration packages of individual 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 salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; B.1.2(b)  
B.1.2(e)
- (f) to review the management's remuneration proposals with reference to corporate goals and objectives; B.1.2(c)
- (g) to review 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; B.1.2(d)
- (h) to review 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; B.1.2(g)
- (i) to ensure that no director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration; B.1.2(h)
- (j) to ensure that adequate retirement arrangements are put in place and maintained in respect of the Chairman, executive directors and the senior management of the Company in the light of their performance during their time with the Company and not merely in regard to the previous one year's performance;
- (k) to enable the Company to be in a position to offer and maintain competitive and attractive overall benefits to recruit and maintain high quality personnel at the Board level;
- (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 applicable law.

## **8. Reporting Procedures**

- (a) The Committee shall report to the Board. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report the findings and recommendations of the Committee to the Board. D.2.2
- (b) The Committee's recommendations on remuneration will be placed before the Board in the form of a Board paper circulated in advance of Board meetings through the company secretary.
- (c) Such recommendations will be supported, wherever relevant, with indications of historical remuneration arrangements in respect of the individuals concerned.

## **9. Availability and update 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) in Hong Kong. These terms of reference shall be made available to the public by including the information on the Company's website and the Stock Exchange's website. B.1.3