

Daqing Dairy Holdings Limited
大慶乳業控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1007)
(the “Company”)

**TERMS OF REFERENCE
OF THE REMUNERATION COMMITTEE
ADOPTED BY THE BOARD ON 28 MARCH 2012**

1 Membership

- (a) The Remuneration Committee (hereinafter referred to as the “**Committee**”) shall be appointed by the Board of Directors (the “**Board**”) and shall consist of a majority of Independent Non-Executive Directors (the “**INEDs**”) of the Company. 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 “**Listing Rules**”) from time to time.
- (b) The chairman of the Committee must be an INED and a member of the Committee appointed by the Board.

2 Attendance at Meetings

- (a) At all times the Chairman of the Board of Directors shall be notified of all meetings of the Committee and may be in attendance thereat, provided that he shall not be in attendance when his own remuneration package/benefits are being discussed.
- (b) The quorum of a meeting of the Committee shall be two members of the Committee, one of whom must be an INED.
- (c) The Chairman of the Board and/or the Executive Director shall be, where appropriate, invited by the Committee to attend the meetings.
- (d) The Committee may, if necessary, invite other advisors to attend the meetings, including but not limited to external professional advisors or consultants 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 conference telephone 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. The chairman of the Committee or any two members of the Committee may request a meeting if they consider that one is necessary. Committee meetings shall be arranged by the Secretary of the Committee upon instruction of the chairman of the Committee.

4 Committee's Resolutions

A resolution in writing signed by all the 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 the Committee. Such resolution may be signed and circulated by fax. 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 upon, any issue within these terms of reference.
- (b) The Committee should utilise information achieved internally and externally to satisfy itself that base 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.
- (c) The purpose of the establishment of the Committee is to enable the Company to be more open and objective in the setting of its remuneration in respect of the Chairman and the Executive Directors of the Board.
- (d) The Committee must ensure that the Chairman and Executive Directors of the Board 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 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 attendance of outsiders with the relevant experience and expertise if it considers this necessary.
- (f) The role of the Committee should be explained in the Corporate Governance Report in the Annual Report of the Company.
- (g) The Executive Directors' remuneration should link rewards to corporate and individual performance.

- (h) The Committee is to be provided with sufficient resources to perform its duties.

6 General Responsibilities

- (a) The Committee shall ensure remuneration arrangements of the Company support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives while complying with the requirements of regulatory and governance bodies, satisfying the expectation of shareholders and remaining consistent with the expectations of the wider employee population.
- (b) The Committee shall fulfill other responsibilities as required by the Listing Rules from time to time.

7 Duties

The duties of the Committee shall include at least:

- (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 of the Board of the Company;
- (b) 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 from time to time;
- (c) to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives;
- (d) to determine with delegate responsibility, 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;
- (e) to make recommendations to the Board on the remuneration of Non-Executive Directors;
- (f) to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the group;
- (g) 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;

- (h) 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;
- (i) to ensure that no Director or any of his associates is involved in deciding his own remuneration;
- (j) to ensure the chairman of the Committee, or in the absence of the chairman, another member of the Committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company;
- (k) to cater for 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 perform 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/resolution in writing of the Committee, the chairman of the Committee shall report their decisions and recommendations of the Committee to the Board.
- (b) Full minutes/resolutions in writing of Committee meetings shall be kept by the Secretary of the Committee. Draft and final versions of minutes of Committee meetings shall be sent to all Committee members for their comment and records within a reasonable time after the meeting.
- (c) Copies of the minutes/resolutions in writing of Committee meetings shall be submitted to the Board at its meetings.

9 Availability and Update of the Terms of Reference

- (a) This 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.
- (b) This Terms of Reference shall make available on the websites of the Company and The Stock Exchange of Hong Kong Limited.