



现代牧业

China Modern Dairy Holdings Ltd. (the “*Company*”)

中國現代牧業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Remuneration Committee Terms of Reference

(Adopted by the Board on 31 October 2010)

(Amended and re-adopted by the Board on 30 March 2012

and effective from 1 April 2012)

1 Constitution

The board of directors of the Company (the “**Board**”) hereby constitutes and establishes a remuneration committee (the “**Remuneration Committee**”) with authority, responsibility, and specific duties as described below.

2 Membership

- 2.1 The Remuneration Committee shall be appointed by the Board and a majority of the members of the Remuneration Committee shall be independent non-executive directors. The members of the Remuneration Committee shall be identified in the Board’s remuneration report to the shareholders of the Company.
- 2.2 The Board shall appoint the chairman of the Remuneration Committee who shall be an independent non-executive director.
- 2.3 The Remuneration Committee shall consist of at least three members. The quorum for a meeting of Remuneration Committee shall be two members.

2.4 Each member of the Remuneration Committee shall disclose to the Remuneration Committee:

- (a) any personal financial interest (other than as a shareholder) in any matter to be decided by the Remuneration Committee;
- (b) any potential conflict of interest arising from a cross-directorship; or
- (c) any such member shall abstain from voting on resolutions of the Remuneration Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Remuneration Committee.

2.5 Appointments to the Remuneration Committee shall be co-terminus with the directorship of the relevant members (whether by retirement, rotation or otherwise).

3 Secretary

The Company Secretary of the Company or his nominee shall be the secretary of the Remuneration Committee.

4 Authority

The Remuneration Committee is authorised by the Board to investigate any activity within this terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the Remuneration Committee. The Remuneration Committee is authorised by the Board to consult the chairman or the chief executive officer of the Company about their remuneration proposals for other executive directors. The Remuneration Committee have access to independent professional advice if necessary. The Remuneration Committee shall be provided with sufficient resources to perform its duties.

5 Duties

5.1 The duties of the Remuneration Committee shall be:

- (a) to make 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;
- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) to make recommendations to the Board on 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,
- (d) to make recommendations to the Board on the remuneration of non-executive Directors.
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities , and employment conditions elsewhere in the Company and its subsidiaries;
- (f) 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;
- (g) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they consistent with contractual terms and are otherwise reasonable and appropriate; and
- (h) to ensure that no Director or any of its associates is involved in deciding his own remuneration.

5.2 For the purpose of this term of reference, "senior management" should refer to the same category of persons as referred to in the Company's annual report and is required to be disclosed under paragraph 12 of Appendix 16 to the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

5.3 In carrying out its duties under this terms of reference, the Remuneration Committee should:

- (a) provide the remuneration packages sufficient to attract and retain Directors to run the Company successfully without paying more than is necessary;
- (b) be sensitive to the wider scene, including pay and employment conditions elsewhere, especially when determining annual salary increases;
- (c) ensure that the performance-related elements of remuneration form a significant proportion of the total remuneration package of executive Directors and should be designed to align their interest with those of shareholders and to give these Directors keen incentives to perform at the highest levels; and
- (d) ensure that executive share options (if any) are offered in accordance with the Listing Rules.

6 Frequency and proceedings of meetings

6.1 Meetings shall be held as and when appropriate, but at least annually.

6.2 The chairman of the Remuneration Committee may convene additional meetings at his discretion.

6.3 Proceedings of meetings of the Remuneration Committee shall be governed by the provisions of the Articles of Association of the Company.

6.4 As no director or his associate shall be involved in setting his own remuneration, relevant members of the Committee shall abstain from voting in relation to his own remuneration or that of his associates and, in addition, such member shall not be counted for the purpose of constituting a quorum in relation to any resolutions.

6.5 Notice of Remuneration Committee meetings shall be given to all members. Notice of the Remuneration Committee meetings shall be deemed to be duly given to a member if it is given to him personally, by word of mouth or given to him in writing sent to his last known address or any other address given by him to the Company or by electronic means by transmitting it to any email address supplied by the member to the Company for this purpose.

- 6.6 Meetings can be held in person, by telephone or by video conference. Members may participate in a meeting by means of communication equipment through which all persons participating in the meeting are able to hear each other.
- 6.7 A resolution in writing signed by all members of the Remuneration Committee shall be as valid and effective as if the same had been passed at a meeting of the Committee duly convened and held. Any such resolution shall be deemed to have passed at a meeting held on the date on which it was signed by the last member to sign.
- 6.8 Only members of the Remuneration Committee are entitled to vote at the meetings.
- 6.9 Resolutions of the Remuneration Committee shall be passed by a majority of votes of the members present.
- 6.10 As necessary or desirable, the chairman may request that members of management be present at the meeting of the Remuneration Committee.

7 Minutes

- 7.1 Full minutes of the Remuneration Committee meetings shall be kept by the secretary of the Remuneration Committee.
- 7.2 The secretary shall circulate the draft and final versions of minutes of meetings and reports of the Remuneration Committee to all committee members for their comment and records respectively within 14 days after the meeting.
- 7.3 The secretary shall circulate the minutes of the meetings of the Remuneration Committee to all members of the Board.

8 General

- 8.1 These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements, including those under the Listing Rules.
- 8.2 The Remuneration Committee should make available these terms of reference to the public, explaining its role and the authority delegated to it by the Board, by including them on the Hong Kong Exchanges and Clearing Limited news website (www.hkexnews.hk) and the Company's website (www.moderndairyir.com).