

# Midland Holdings Limited

## Terms of Reference for Remuneration Committee

### 1. Overall Objectives

The remuneration committee is appointed by the board of directors to, within agreed terms of reference, evaluate and make recommendations to the board on the Group's remuneration policy and has a delegated authority to review and determine the remuneration packages of the executive director and the senior management.

### 2. Authority

The committee is authorized by the board to undertake any activity within its terms of reference.

In connection with its duties the committee is authorised by the board to seek appropriate professional advice and resources inside and outside the Group as and when it considers necessary in order to perform its duties.

### 3. Organisation

#### 3.1 Membership

3.1.1 The board will nominate the remuneration committee members and the chairman of the remuneration committee.

3.1.2 The remuneration committee shall comprise at least three members to be appointed by the board from time to time. A majority of the members of the committee shall be independent non-executive directors ("INED").

3.1.3 A quorum of any meeting shall be two members one of whom must be an INED.

3.1.4 The secretary of the remuneration committee will be the company secretary.

## **3.2 Meetings**

- 3.2.1 Only committee members are entitled to attend meetings. The committee may invite such other person such as the directors, human resources manager and external advisers to attend its meeting.
- 3.2.2 Meetings shall be held whenever the chairman of the committee deems it necessary but not less than once a year.
- 3.2.3 Notice of any meetings has to be given at least 14 days prior to any such meeting being held, unless all members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a member shall be deemed waiver of the requisite length of notice by the member. Notice of any adjourned meeting is not required if adjournment is for less than 14 days.
- 3.2.4 The secretary shall circulate the agenda and supporting documentation to the remuneration committee members a reasonable period in advance of or as soon as possible before each meeting.
- 3.2.5 The quorum for decisions of the remuneration committee shall be any two members one of whom must be an INED.
- 3.2.6 Resolutions of the remuneration committee shall be passed by a majority of votes. In case of an equality of votes the chairman shall have a second or casting vote.
- 3.2.7 A resolution in writing signed by all the members of the remuneration committee shall be as valid and effectual as if it had been passed at a meeting of the remuneration committee duly convened and held.
- 3.2.8 The secretary shall circulate the minutes of meetings to members of the committee. Minutes shall be kept by the secretary of the committee and shall be open for directors' inspection.

## **3.3 Annual General Meeting**

- 3.3.1 The chairman of the remuneration committee or in his/her absence, another member of the committee, shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the remuneration committee's activities and their responsibilities.

## **4. Roles and Responsibilities**

### **4.1 Chairmanship**

The chairman of the committee will be appointed by the board.

### **4.2 Duties**

- 4.2.1 To formulate and recommend to the board the policy and structure for all remuneration of both the executive directors and non-executive directors and other senior executives as designated by the Board.
- 4.2.2 To make recommendations to the board on the establishment of a formal and transparent procedure for developing policy on the abovementioned remuneration.
- 4.2.3 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 remuneration 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;
- 4.2.4 To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;
- 4.2.5 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 Company;
- 4.2.6 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;

- 4.2.7 To ensure that no director or any of his associates is involved in deciding his own remuneration; and
- 4.2.8 To advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under rule 13.68 of the Listing Rules.
- 4.2.9 The committee shall exercise such other powers, authorities and discretions, and perform such other duties, of the directors in relation to the remuneration of the executive directors and senior management as the directors may from time to time delegate to it, having regard to the Code of Corporate Governance Practices ("the Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").
- 4.2.10 In exercising its power, authorities and discretions and performing its duties, the committee shall take full account of the Code and the Listing Rules.

### **4.3 Reporting**

- 4.3.1 The remuneration committee shall report to the directors its activities as the directors may require from time to time.

## **5. Publication of the Terms of Reference**

The terms of reference will be posted on the website of the Company. A copy of the terms of reference will be made available to any person without charge upon request.

Dated this the 10<sup>th</sup> day of March, 2005