

DAIDO GROUP LIMITED
REMUNERATION COMMITTEE – TERMS OF REFERENCE

1. Constitution

- 1.1 The board of directors (the “Directors”) (the “Board”) of Daido Group Limited (the “Company”) has resolved to establish a committee of the Board known as the Remuneration Committee (the “Committee”) on 30 June 2005.
- 1.2 Revised on 28 March 2012 pursuant to the Corporate Governance Code effective on 1 April 2012.
- 1.3 The revised version shall supersede any terms of reference previously adopted by the Board of Directors.

2. Membership

- 2.1 The members of the Committee (the “Member(s)”) shall be appointed by the Board and shall comprise a minimum of three Directors. The majority of the Committee must be independent non-executive Directors.
- 2.2 The chairman of the Committee (the “Chairman”) shall be appointed by the Board and must be an independent non-executive Director.
- 2.3 Subject to clause 2.1, if a regular Member is unable to act due to absence, illness or any other cause, the Chairman may appoint another non-executive Director to serve as an alternate Member.

3. Secretary

- 3.1 The head of Human Resources Department shall be the secretary of the Committee (the “Secretary”).

4. Quorum

- 4.1 The quorum necessary for the transaction of the business of the Committee shall be two Members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. Frequency of Meetings

- 5.1 The Committee will meet as and when required and shall meet no less than one meeting a year.

6. Notice of Meetings

- 6.1 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, a Member attending the meeting shall be deemed to be a waiver of the requisite length of notice of the meeting by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 7 days.

7. Attendance at Meetings

- 7.1 The Company's chief executive officer shall attend meetings to discuss the performance of executive directors and senior management and make proposals as necessary. The head of Human Resources Department of the Company shall attend meetings for the purpose of submitting to the Committee such relevant background information as may be necessary to enable the Committee to perform its duties. As deemed necessary by the Committee, other members of the Company may also attend meetings of the Committee. However, no member of the Board or senior management shall be involved in any decision or present at any discussions as to his or her own individual remuneration, save for the head of Human Resources Department of the Company who shall be present and be able to speak at any discussions where he is providing such necessary background as is referred to above.
- 7.2 Meetings may be held in person, by telephone or video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.

8. Authority

- 8.1 The Company shall provide the Committee with sufficient resources to perform its duties.
- 8.2 The Committee is authorized by the Board to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary provided that where the obtaining of advice or the securing of attendance involves the payment of fees or other expenses, the Committee shall first obtain the agreement of the chairman of the Company.

9. Duties

- 9.1 The Committee shall take full account of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").
- 9.2 The duties of the Committee shall be to:-

- (a) 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) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management). This shall include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (d) make recommendations to the Board on the remuneration of non-executive Directors;
- (e) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;
- (f) review and approve compensation additional to that provided for in the remuneration packages determined according to 9.2(c) above which is 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) review and approve compensation arrangements relating to dismissal or removal of Directors and senior management for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (h) ensure that no Director or the senior management or any of his associates is involved in deciding his own remuneration;

9.3 The Chairman shall attend annual general meetings to answer any shareholders' questions. In the Chairman's absence, another Member or failing this his duly appointed delegate should attend in his place.

10. Minutes and reporting to the Board

10.1 The Secretary shall keep and send the minutes of meetings of the Committee to all members of the Board.

10.2 The Members shall cause minutes to be made of all resolutions and proceedings of the Committee including the names of all those present and in attendance at meetings of the Committee. Minutes of Committee meetings shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by the Members and dissenting views expressed.

10.3 Draft and final versions of minutes of the Committee meetings shall be sent to all Members for their comment and records within a reasonable time after the meeting is held. Such minutes of meeting shall be open for inspection at any reasonable time on reasonable notice by any Director.

10.4 Except where this would violate legal or regulatory requirements, the Committee shall promptly report back to the Board all decisions and recommendations.

11. Publication of the terms of reference

11.1 The terms of reference shall be posted on the websites of the Stock Exchange and the Company. A copy of the terms of reference will be made available to any person without charge upon request.

12. Miscellaneous

12.1 The English text of this terms of reference will prevail over the Chinese text in case of any inconsistency.

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