



LUEN THAI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

REMUNERATION COMMITTEE

Terms of Reference

I. Constitution

The Board of Luen Thai Holdings Limited adopted the following revised terms as the terms of reference for the Remuneration Committee on 30 March 2012.

II. Composition of the Committee

- A. The Committee shall consist of at least 3 independent non-executive directors who shall be appointed by the Board in consultation with the Chairman of the Remuneration Committee (the “**Committee Chairman**”).
- B. Appointments to the Committee shall be for a period of up to three years, which may be extended further to three year periods provided the director remains independent.

III. The Committee Chairman

- A. The Board shall appoint the Committee Chairman who shall be an independent non-executive director and determine the period for which he will hold that office. The Chairman of the Company shall not be eligible to be appointed as Committee Chairman.
- B. The Committee Chairman shall attend the Annual General Meeting of the Company so as to be available to answer questions from shareholders on matters within the scope of duties of the Committee. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

IV. The Secretary

The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee.

V. Proceedings

Unless varied by these terms of reference, meetings and proceedings of the Committee shall be governed by the Company's Articles of Association regulating the meetings and proceedings of Directors.

VI. Quorum

The quorum for decisions of the Committee shall be any two independent non-executive directors. A duly convened meeting of the Committee which is quorate shall have the power to exercise all or any of the powers, authorities or discretions vested in or exercisable by the Committee.

VII. Attendance at Meetings

- A. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman, the Chief Executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- B. Formal meetings of the Committee may be held by telephone or other communication equipment which allows those participating to hear and speak to each other, and the quorum in that event shall be any two Committee members so linked.

VIII. Frequency of Meetings

Meetings of the Committee shall be held as and when appropriate, but at least once a year, held to coincide with key dates within the financial reporting and audit cycle. The Chairman of the Committee or any other member may convene a meeting of the Committee whenever he or she considers it necessary or desirable.

IX. Notices of Meetings

- A. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.

- B. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than 7 business days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

X. Minutes of Meetings

- A. The Secretary of the Committee shall record the proceedings and resolutions of the Committee.
- B. The Secretary shall promptly circulate copies of the minutes of meetings of the Committee to all members of the Committee, and to all members of the Board unless a conflict of interest exists. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.

XI. Duties

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. 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. 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 group;
- F. 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 relevant contractual terms and is otherwise fair and not excessive;
- G. 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; and

- H. ensure that no director or any of his associates is involved in deciding his own remuneration;

XII. Reporting Responsibilities

- A. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;
- B. The Committee shall make whatever recommendations to the Board that it deems appropriate on any area within its scope of duties where action or improvement is needed;
- C. The Committee shall produce an annual report of the Company's remuneration policy and practices, which will form part of the Company's annual report; and
- D. The Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless prohibited by applicable laws and regulations (such as a restriction on disclosure due to regulatory requirements).

XIII. Authority

The Board authorizes the Committee to:

- A. investigate any matter within its Terms of Reference and seek any information it requires from any employee (all employees being directed to co-operate with any such request by the Committee);
- B. obtain outside legal or other independent professional advice, including the advice of independent remuneration consultants at the cost of the Company, if it considers necessary; and
- C. be provided with sufficient resources to perform the duties.

XIV. Other

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.