

POLYTEC ASSET HOLDINGS LIMITED

(the “Company”)

Terms of Reference

of

REMUNERATION COMMITTEE

1. Constitution

- 1.1 The Board of Directors of the Company (the “**Board**”) resolved on 21 September 2005 to establish a committee of the Board to be known as the Remuneration Committee (hereinafter referred to as the “**Committee**”).
- 1.2 The Committee is established under delegation from the Board pursuant to Article 137 of the Company’s Articles of Association.

2. Membership

- 2.1 Members of the Committee shall be appointed by the Board and shall consist of not less than three members. A majority of the members should be Independent Non-executive Directors.
- 2.2 The Board shall nominate one of the Independent Non-executive Directors as the Chairman of the Committee.

3. Secretary

- 3.1 The Company Secretary or such other person with appropriate qualification and experience as appointed by the Committee from time to time shall act as the Secretary of the Committee.

4. Frequency and proceedings of meetings

- 4.1 The Committee shall meet at least once every year. Additional meetings shall be held as the work of the Committee demands.
- 4.2 The chairman of the Committee may convene additional meetings at his discretion.
- 4.3 The quorum of a meeting shall be two members of the Committee.

- 4.4 The Committee may, from time to time, invite advisers to the meeting, including but not limited to external advisers or consultants to advise its members.
- 4.5 Proceedings of meetings of the Committee shall be governed by the provisions of Article 139 of the Articles of Association of the Company.

5. Annual General Meeting

- 5.1 The Chairman of the Committee or another member of the Committee shall attend the Company's annual general meeting and be prepared to respond to shareholders' questions on the Committee's activities and their responsibilities.

6. Responsibilities, powers and functions

- 6.1 The Committee shall formulate remuneration policy for approval by the Board, which shall take into consideration factors such as salaries paid by comparable companies, employment conditions, time commitment and responsibilities, desirability of performance based remuneration, and individual performance of the Directors and Senior Management, and implement the remuneration policy laid down by the Board. Performance shall be measured against corporate goals and objectives.
- 6.2 The Committee shall, without prejudice to the generality of the foregoing:
- (i) make recommendations to the Board on the Company's policy and structure of all Directors and Senior Management whilst ensuring no Director or any of his associates is involved in deciding his own remuneration and on the establishment of a formal and transparent procedure developing remuneration policy;
 - (ii) make recommendations to the Board on the remuneration package of individual Executive Directors and Senior Management, including benefits in kind, pension rights, compensation payment (including compensation payable for loss or termination of their office or appointment etc). The Chairman of the Board and/or the Chief Executive shall be consulted about their proposals relating to the remuneration of the Executive Directors and Senior Management;
 - (iii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
 - (iv) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

- (v) 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;
- (vi) 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;
- (vii) make recommendations to the Board on the remuneration of Non-executive Directors;
- (viii) engage such external independent professional advisers to assist and/or advise the Committee on issues as it considers necessary with approval from the Board;
(Note: Arrangement to seek professional advice could be made through the Company Secretary.)
- (ix) 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 legislation;
- (x) be provided with sufficient resources to perform its duties; and
- (xi) delegate such of its powers as the Committee deems appropriate to management.

7. Reporting procedures

- 7.1 Minutes of meetings of the Committee shall be kept by the Secretary. Draft and final versions of minutes shall be circulated to all members for their comments and records respectively, in both cases within a reasonable period of time after the meeting. Such minutes shall be opened for Directors' inspection.
- 7.2 The Secretary shall circulate the minutes of meetings of the Committee to other members of the Board.
- 7.3 The Committee shall report to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.
- 7.4 At least annually, the Committee should present to the Board a summary of the work, including determining the policy for the remuneration of Executive Directors, assessing performance of Executive Directors and approving the terms of Executive Directors' service contracts (if any), performed by the Committee during the year.

8. Availability of the Terms of Reference

- 8.1 A copy of the terms of reference may be made available on the website of the Company and of The Stock Exchange of Hong Kong Limited.

In case of inconsistency between the English version and its Chinese translation, the English version shall prevail.