

Constitution

1. The board of the directors (the “Board”) hereby resolves to establish a committee of the Board to be known as the Remuneration Committee (“the Committee”).

Objective

2. The Committee shall provide a medium of public accountability, which is not controlled by the Company’s management.
3. The Committee shall review and determine the Company’s policy on remuneration packages of all executive directors (“Executive Directors”) and senior management (“Senior Management”) of the Company, and make recommendations to the Board on the remuneration of non-executive directors. The Company shall pay sufficient remuneration to attract and retain the directors needed to run the Company successfully, but should avoid paying more than is necessary for this purpose. No director should be involved in deciding his own remuneration.

For the purpose of these terms of reference, “Senior Management” refer to the same category of persons as referred to in the Company’s annual report and as 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.

Membership

4. The Committee shall be appointed by the Board on the recommendation of the nomination committee from amongst the non-executive directors of the Company and shall consist of not less than three members.
5. The majority of the members of the Committee shall be independent non-executive directors.

6. The chairman of the Committee shall be appointed by the Board following receipt of a proposal from the nomination committee.

Quorum

7. A quorum shall be two members.

Consulting with the Chairman of the Board

8. The Committee shall consult with the chairman of the Board and/or chief executive officer of the Company about their proposals relating to the remuneration of other Executive Directors.

Attendance at meetings

9. Members shall participate in meetings of the Committee either in person or by means of a conference telephone or similar communications equipment.
10. The Committee may invite Executive Directors and/or other persons to attend part or whole of its meetings as necessary.

Committee secretary

11. [Manager of the personnel and administration department] shall act as the secretary of the Committee (the "Secretary").

Frequency of meetings

12. Regular meetings of the Committee shall be held at least once during a financial year, before the end of each financial year. Meetings may also be held at such other times as the chairman of the Committee shall require.

General meetings

13. The chairman of the Committee or his nominee shall attend the Company's annual general meeting and/or special general meeting and be prepared to advise shareholders how to vote with respect to any service contracts of directors that require shareholders' approval and/or respond to shareholders' questions.

Arrangement for and notices of meetings

14. Meetings of the Committee shall be called by the Secretary as instructed by the chairman of the Committee, or requested by the Board.
15. Notices of at least 14 days shall be given to all members for regular meetings of the Committee. For all other meetings, reasonable notices shall be given.
16. If any member of the Committee wishes to include matters in the agenda for a particular regular meeting, he or she may notify the Secretary such matters in writing within seven days after a notice of the meeting is given.

Access to services of company secretary

17. The Committee shall be provided with sufficient resources to discharge its duties. Members of the Committee shall have access to the advice and services of the company secretary to ensure that board procedures and all applicable rules and regulations are followed.

Minutes of meetings

18. The Secretary shall minute in sufficient detail the proceedings and resolutions of all Committee meetings, including any concerns raised and dissenting views expressed and the names of those present and in attendance.
19. Draft and final versions of minutes of meetings of the Committee shall be sent to the members of the Committee for their comments and records respectively within a reasonable period of time after the meetings are held. Minutes of meetings of the Committee are open for inspection by any director at any reasonable time on reasonable notice to the Secretary.

Authority

20. The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed and required to co-operate with any request made by the Committee.

Access to independent professional advice

21. The Committee is authorized by the Board to obtain, in connection with its duties and at the Company's expense, any outside legal or other independent professional advice and to secure the attendance of external advisors with relevant experience and expertise if it considers this necessary. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it to discharge its duties.

Duties

22. The specific duties of the Committee shall be:
 - (a) to make recommendations to the Board on the Company's policy and structure for all remuneration of Executive Directors and Senior Management and on the establishment of a formal and transparent procedure for developing policy on the remuneration;
 - (b) 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 on the remuneration of non-executive directors. The 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;

- (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review and approve the compensation payable to the 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;
- (e) 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 contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- (f) to ensure that no directors or any of his associates is involved in deciding his own remuneration; and
- (g) to advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval.

Reporting Procedures

- 23. The chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its duties and responsibilities where action or improvement is needed.
- 24. The Committee shall provide to the Board all the information set out in Paragraph 2 (f) of Appendix 23 to the Listing Rules to enable the Company to prepare the Corporate Governance Report in its annual report in compliance with Appendix 23.

Corporate Governance Report in the Annual Report

25. Disclosure should include:

- (a) the role and function of the Committee;
- (b) the composition of the Committee (including names and identifying in particular of the chairman of the Committee);
- (c) the number of meetings held by the Committee during the year to discuss remuneration related matters and the records of individual attendance of members, on a named basis, at the meetings held during the year;
- (d) a summary of the work, including determining the policy for the remuneration of all Executive Directors and Senior Management, assessing their performance and approving the terms of their service contracts; and
- (e) a general description of the emolument policy and long-term incentive schemes as well as the directors' fees and any other reimbursement or emolument payable to the directors.

Others

- 26. These terms of reference are available on reasonable request made to the Company Secretary at reasonable time.
- 27. The provisions on the Board in the Articles of Association of the Company are incorporated into these terms of reference for the Committee by reference.

*The following **Recommended Best Practices** do not form part of the Terms of Reference but for information only.*

Recommended Best Practices

1. A significant proportion of Executive Directors' remuneration shall be structured so as to link rewards to corporate and individual performance.
2. The Company shall disclose details of remuneration payable to Senior Management on named basis.
3. Where the Board resolves to approve any remuneration or compensation arrangements which the Committee has previously resolved not to approve, the Board must disclose the reasons for its resolution in its annual report.

Terms of Reference of the Remuneration Committee

(adopted by the Board of Directors of China Agri-Industries Holdings Limited at a Board meeting held on 16 February 2007 to take effect from the date when dealings of the shares of China Agri-Industries Holdings Limited commence on the main board of The Stock Exchange of Hong Kong Limited)

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