

Terms of Reference of the Remuneration Committee

Please find attached the Terms of Reference of the Remuneration Committee.

1. Constitution, Authority and Membership

- 1.1 The Remuneration Committee (the "Committee") is a committee of the Board of Herald Holdings Limited (the "Company") and as such is appointed by and reports to the Board of the Company.
- 1.2 Specific authority is delegated to the Committee to decide on all elements of remuneration of the directors and senior management of the Company.
- 1.3 The Committee shall be comprised of a minimum of two independent non-executive directors. A majority of the members of the Committee shall be independent non-executive directors. Subject to the normal periodic re-election of directors, members of the Committee shall generally hold tenure for a period of at least 3 years.
- 1.4 The Chair of the Committee shall be an independent non-executive member, as the Board shall nominate.
- 1.5 The Company's Secretary (whom failing, a person nominated by the Chair of the Committee) shall be the secretary of the Committee and shall attend all of its meetings.
- 1.6 The Committee should consult the Chairman and/or Managing Director of the Company about their proposals relating to the remuneration of the other executive directors.
- 1.7 The Committee shall have access to sufficient resources to discharge its duties. The Committee is authorised to obtain outside legal or other independent professional advice, subject to notifying the Chairman of the Company.

2. Attendance

- 2.1 A quorum shall be two members of the Committee; meetings may be held in person or by other electronics means of communication.
- 2.2 The Chairman, the Managing Director and external advisers may be invited to attend meetings of the Committee as and when appropriate.

3. Frequency of Meetings

- 3.1 The Committee shall meet as its business requires and as determined by its members. The Committee will meet at least twice a year.

4. Duties

The Committee shall:

- 4.1 Make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- 4.2 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 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;
- 4.3 Review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

- 4.4 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;
- 4.5 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;
- 4.6 Ensure that no director or any of his associates is involved in deciding his own remuneration; and
- 4.7 Advise shareholders of the Company on how to vote with respect to any service contracts of directors that require shareholders' approval under the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

5. Reporting Procedures

- 5.1 The Chairman of the Committee shall report to the Board on the general conclusions reached at all of its meetings.
- 5.2 Minutes and action points arising from each meeting will be provided and circulated to all members.

Adopted on 16 March 2005