

**FORNTON GROUP LIMITED**  
**TERMS OF REFERENCE OF REMUNERATION COMMITTEE**

1. The remuneration committee (the "Committee") of Fornton Group Limited (the "Company") shall consist of at least three directors, of which a majority should be independent non-executive directors, appointed by the board of directors of the Company (the "Board") from time to time. The Board shall nominate one of the members as chairman of the Committee.
2. The Committee shall meet at least once every year. Additional meetings may be convened by the chairman of the Committee as and when necessary.
3. The quorum of a meeting shall be two members of the Committee.
4. The Committee should consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive directors of the Company.
5. The remuneration committee should have access to independent professional advice if necessary.
6. Proceedings of meetings of the Committee shall be governed by the provisions of Bye-law 118 of the Bye-laws of the Company.
7. The Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report the findings and recommendations of the Committee to the Board.
8. The Committee shall:-
  - (i) make recommendations to the Board on the Company's policy and structure for all directors' and senior management<sup>1</sup> remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
  - (ii) review and approve management's remuneration proposals with reference to the boards' corporate goals and objectives;
  - (iii) determine with delegated responsibility the remuneration packages for individual executive directors and senior management, or 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

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<sup>1</sup> "Senior management" should refer to the same category of persons as referred to in the Company's annual report and is 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 (the "Listing Rules").

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 salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company's group;

- (iv) 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;
  - (v) review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;
  - (vi) ensure that no director or any of his associates is involved in deciding his own remuneration;
  - (vii) engage such external professional advisers to assist and/or to advise the Committee on issues as it considers necessary;
  - (viii) do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and
  - (ix) conform to any requirements, 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.
9. The Committee should be provided with sufficient resources to perform its duties.
10. The Company should disclose details of any remuneration payable to members of senior management by band in their annual reports.