

**Fong's Industries Company Limited**  
**(the "Company")**

**Terms of Reference for Remuneration Committee**

**Functions and Objectives**

The Remuneration Committee (the "Committee") is appointed by the board of directors of the Company (the "Board") with a view to:

1. Establish and apply a formal and transparent procedure for setting policy on remuneration for executive directors and senior management, and for fixing the remuneration packages for all directors and senior management; and
2. Ensure that procedures and principles for fixing packages of all directors and senior management are proper so that the levels of remuneration of directors commensurate with their qualifications and competencies, and that such remuneration is sufficient to attract and retain the directors and senior management but not excessive.

**Composition**

Members of the Committee shall be appointed by the Board.

The Committee shall comprise at least 3 members, a majority of whom shall be independent non-executive directors.

The Board shall appoint the Chairman of the Committee. In the absence of the Chairman of the Committee, the remaining members present shall elect one of themselves to chair the meeting.

Unless it is agreed otherwise, the Company Secretary of the Company should assume the role of Secretary for the Committee.

## **Proceedings and Records of Meetings**

The Committee shall meet as and when necessary or as requested by any Committee member. The meeting and proceedings of the Committee are governed by the provisions of the Bye-laws of the Company for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by the regulations imposed by the Board.

Two members shall form a quorum for a meeting.

Only members of the Committee have the right to attend the Committee meetings. However, other individuals such as the Chairman, Managing Director, Finance Director, the Head of Human Resources and external advisers may be invited to attend for all or part of any meeting as and when appropriate.

Meetings of the Committee shall be summoned by the Secretary of the Committee and the Secretary shall circulate the meeting agenda and supporting documentation to the Committee members a reasonable period in advance of each meeting.

Full minutes of the Committee should be kept by the Secretary of the Committee. The draft and final versions of the minutes of the Committee meetings should be sent to all members for their comment and records respectively within a reasonable time after the meeting.

## **Duties and Authorities**

The authority of the Committee is derived from the Board, therefore the Committee is obliged to report to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions in doing so.

The Committee should consult the Chairman and/or Managing Director of the Company on their proposal and their views relating to remuneration of other executive directors and senior management. The Committee shall be provided with sufficient resources to discharge its duties.

The duties of the Committee are as follows:

1. Recommend the Board on policy and structure for all remuneration of directors and senior management;
2. Establish a formal and transparent procedure for developing remuneration policy;
3. Determine specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payable for loss or termination of office or appointment;
4. Make recommendations to the Board of the remuneration of non-executive directors;
5. Review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
6. 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 contractual terms and that such compensation is otherwise fair and not excessive for the Company;
7. Review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangement is made in accordance with contractual terms and that any compensation payment is otherwise reasonable and appropriate;
8. Ensure that no director or any of his associates is involved in deciding his own remuneration; and
9. Advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under the Listing Rules.