

GUANGNAN (HOLDINGS) LIMITED
Compensation Committee

Terms of Reference

1. Constitution

The Board of Directors (the “Board”) of Guangnan (Holdings) Limited (the “Company”) hereby resolves to establish a Committee of the Board, to be known as the Compensation Committee (the “Committee”).

2. Purpose

- 2.1 To assist the Board in discharging its duties, the purpose of the Committee is to review the Company’s remuneration policy of directors and senior management and to make recommendation to the Board concerning the remuneration policy, share option scheme or incentive schemes so as to ensure the Group has effective and transparent remuneration policy.

3. Members and Secretary of the Committee

- 3.1 The Board shall appoint members of the Committee. The number of the committee members shall be determined by the Board from time to time provided that at no time shall there be less than three members. The majority of the Committee members must be independent non-executive directors.
- 3.2 The Committee shall appoint one of its members to serve as its Chairman who must be independent non-executive director. The appointment will be subject to ratification by the Board. The quorum of the Committee shall be two Committee members.
- 3.3 The Company Secretary shall act as secretary to the Committee unless the Chairman of the Committee shall rule otherwise, in which case the Chairman will nominate a members of the Committee or another appropriate person to act as secretary.

4. Meetings

- 4.1 Meetings shall be held not less than two times a year and at such other times as the Chairman of the Committee shall deem necessary.

- 4.2 The Committee may pass resolutions by means of resolutions in writing when necessary. A resolution in writing, which may consist of several documents in like form, signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee.
- 4.3 When a matter is discussed that concerns the salary, emoluments or other benefits of the Chairman or the General Manger, the interested party shall absent himself from the meeting during the discussion, and shall refrain from voting on the issues concerned.

5. Authoritv

- 5.1 The Committee is authorized by the Board to seek any information it requires from any officer or employee of the Company and all officers and employees are directed to co-operate with any request made by the Committee.
- 5.2 The Committee is authorized by the Board to obtain outside legal or other independent professional advice if it considers it necessary and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this to be necessary.

6. Duties of the Committee

In particular, but without limitation, the duties of the Committee shall be:

- 6.1 the Committee should consult the chairman and/or general manager about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.
- 6.2 to 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.
- 6.3 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 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.
- 6.4 to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

- 6.5 to 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.
- 6.6 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 relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.
- 6.7 to make recommendations to the Board concerning officer and/or employee share option or incentive schemes or the like, or other forms of profit-sharing arrangements of the Group which might be devised to reward management or other employees over and above normal salary and bonuses.
- 6.8 supervising the policy relating to, and the management and care of the Company's retirement, provident or superannuating funds.
- 6.9 to ensure that no director or any of his associates is involved in deciding his own remuneration.

7. Miscellaneous

- 7.1 The Committee should make available its terms of reference explaining its role and the authority delegated to it by the Board.
- 7.2 The Committee should be provided with sufficient resources to discharge its duties.
- 7.3 In recognition of the time and effort required of the Committee's members in discharging the duties set out in Section 6 above, the Company shall remunerate non-executive directors for serving on the Committee to reflect the time they devote to the Company's affairs. The remuneration shall be determined by the Board.