



SMC ELECTRIC LIMITED
蜆壳電業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2381)

TERMS OF REFERENCE OF THE NOMINATION COMMITTEE

(Adopted on 29 April 2020 by the Board)

1. Constitution

The Nomination Committee (the “**Committee**”) was established with its terms of reference pursuant to a resolution passed by the board of directors (the “**Board**”) of SMC Electric Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) at its meeting held on 29 April 2020. The powers, responsibilities and specific duties of the Committee are summarised as below.

2. Responsibility

The responsibility of the Committee is to review the constituency of the Board, make recommendations on the procedures and criteria for the appointment of directors and implement those that are adopted by the Board.

3. Membership

- (a) The Committee (the “**Committee**”) shall be appointed by the Board and shall consist of not less than three (3) members, a majority of whom should be independent non-executive directors of the Company (“**INEDs**”). The constitution of the Committee shall comply with the requirements of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) from time to time.
- (b) The Board may at any time remove, suspend or replace any member of the Committee at its option by resolution whereupon the Committee should consist of the remaining or replaced members of the Committee.
- (c) The chairman of the Committee shall be appointed by the Board and shall be the chairman of the Board or an INED.
- (d) The secretary of the Committee shall be appointed by the Chairman of the Committee. The secretary of the Committee (or his/her delegate) shall be the secretary of the meetings of the Committee.

4. Frequency of Meetings

Meetings shall be held not less than once (1) a year. Any member of the Committee may request a meeting if he/she/they consider(s) that one is necessary and upon the receipt of such request, the secretary of the Committee shall convene a meeting as soon as reasonably practicable and having regard to the convenience of all members with priority given to the INEDs.

5. Attendance at Meetings

- (a) Unless otherwise stated herein, the meetings of the Committee are governed by the provisions contained in the Company's articles of association for regulating the meetings and proceedings of directors.
- (b) A quorum of a meeting shall be two (2) members of the Committee.
- (c) Any members of the Committee or other attendees may participate in a meeting of the Committee by means of a conference telephone or similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other. Such participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

6. Committee's Resolutions

A resolution in writing 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 duly convened and held and may consist of several documents in like form each signed by one (1) or more of the members of the Committee. Such resolution may be signed and circulated by fax or other electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a physical meeting of the Board or Committee to be held.

7. Duties and Authority

The Committee shall have the following duties and authority under delegation from the Board:

- (a) propose a set of personal attributes to the Board, the adoption of which shall form the basis of evaluation of candidates for directorship;
- (b) propose a set of procedures for processing nominations of candidates for the Board's approval;
- (c) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- (d) to develop and maintain the nomination policy for the directorship of the Company, including the nomination procedures as well as the procedures and criteria for the Committee to identify, select and recommend candidates for directorship during the year, review the nomination policy regularly and disclose such policy and the progress towards the goals of the policy as set out in the Company's Corporate Governance Reports, review and discuss on any necessary amendments, and make recommendations to the Board for approval;
- (e) to develop and maintain a board diversity policy, monitor the implementation of the board diversity policy, and regularly review and disclose such policy or its highlights in the Company's Corporate Governance Reports, review and discuss any necessary amendments, and make recommendations with respect to them to the Board for approval;
- (f) to identify individuals suitably qualified to become Board members, considering factors including but not limited to whether the individual may bring different views and perspectives, skills and experience to the Board, and whether board diversity, succession planning and continuity in the Company can be promoted with the individuals' participation, and select and nominate relevant individuals for directorships or make recommendations thereon to the Board in accordance with the Company's nomination policy;
- (g) to assess the independence of INEDs, review the INED's annual confirmations on their independence and make disclosure of its review results in the Corporate Governance Reports;
- (h) assess the adequacy of time that a candidate nominated as a director of the Company can devote for its directorship, considering factors including the number of other listed companies in which such candidate has a directorship;
- (i) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer;
- (j) decide and make recommendations to the Board as to whether a director is able to and has adequately carried out his/her duties as a director of the Company; in particular, where the subject director has multiple board representations. The Committee shall regularly review and report to the Board the contributions required from and the suitability of directors and senior management to perform their responsibilities to the Company, and whether they are spending sufficient time performing them, to ensure that they meet the terms of employment and performance objectives, and make recommendations to the Board as to the re-appointment or replacement of any director or senior management; and

- (k) to be provided with sufficient resources to enable it to perform its duties, including, where necessary, may seek independent professional advice, at the Company's expense, to perform its responsibilities.

8. Nomination Procedure

The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) is a matter for decision by the Board upon the recommendation of the proposed candidate by the Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to contribute to the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

- (a) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;
- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the audit committee and the remuneration committee (in the case of candidate for non-executive Director) and other relevant Board Committees, if invited;
- (d) bringing a range of business and financial experience to the Board, giving the Board and any committees on which he or she serves the benefit of his or her skills, expertise and varied backgrounds and qualifications through attendance and participation in the Board/Committee meetings;
- (e) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;
- (f) ensuring the committees on which he or she serves to perform their powers and functions conferred on them by the Board; and
- (g) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an INED, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an INED with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

9. Reporting Procedure

- (a) The Committee shall report to the Board on a regular basis, and the Chairman shall report the findings and recommendations to the Board at the next meeting of the Board following each meeting of the Committee, unless there are any legal or regulatory restrictions limiting its ability to do so.
- (b) Full minutes of Committee meetings shall be kept by the secretary of the Committee. Draft and final versions of minutes of the meetings shall be sent to all Committee members for their comment and records within a reasonable time after the meeting.
- (c) Copies of the minutes of the meetings/written resolutions of the Committee shall be provided to the Board at its meetings.
- (d) Minutes of Committee meetings shall record in sufficient detail the matters considered by the Committee members and decisions reached, including any concerns raised by the Committee members and dissenting views expressed.

10. Availability and Update of the Terms of Reference

These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements (e.g. Listing Rules) in Hong Kong. These terms of reference shall be made available to the public by including the same on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.smcelectric.com.hk).

This terms of reference is prepared in both Chinese and English. In the event of any inconsistency between the English and Chinese versions, the English version shall prevail.