



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 REMUNERATION COMMITTEE

(Adopted on 29 April 2020 by the Board)

1. Constitution

The Remuneration 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 Committee is to review the remuneration policies and make recommendations to the Board on the remuneration package of directors and senior management. Senior management shall be defined by the Board including but not limited to the category of persons, the relevant particulars of whom are required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

3. Membership

- (a) 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 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 from amongst the INEDs.
- (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

The Committee shall meet at least once (1) every year; and may meet more often if requested by the Chairman of the Committee or, by any two (2) members of the Committee. Meetings should be arranged by the secretary of the Committee upon instruction of the chairman of the Committee.

5. Authorities

- (a) The Committee is authorised by the Board to review, assess and make recommendations upon any issue within its terms of reference. It is authorised to seek any information it requires from any employee or executive director and such persons are directed to co-operate with any request made by the Committee.
- (b) The Committee is authorised by the Board, and at the reasonable expense of the Company, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- (c) The Committee is to be provided with sufficient resources to discharge its duties.

6. 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 (the "**Directors**").
- (b) A quorum of a meeting shall be two (2) members of the Committee.
- (c) The Chairman of the Board and the executive Director(s) may also attend the Committee meetings, if invited, provided that they must not be in attendance when their own respective remuneration packages are being discussed.
- (d) The Committee may, if necessary, invite the external advisors and/or members of the management of the Company to attend the meeting to advise its members.
- (e) 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. Participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

7. 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 board or committee meeting to be held.

8. Duties and Powers

The duties and powers of the Committee shall be:

- (a) to make recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and other remuneration matters and on the establishment of a formal and transparent procedure for developing remuneration policy. In principle, remuneration levels should be sufficient to attract and retain Directors to run the Company successfully without paying more than necessary. The Board will upon receipt of the Committee's recommendations discuss the same and then formally adopt a formal and transparent procedure for setting such policies;
- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) to make recommendations to the Board on the remuneration packages of individual executive Director(s) and senior management. This should include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). The Committee may consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
- (d) to make recommendations to the Board on the remuneration of the INEDs;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (f) to review and approve the compensation payable to executive Director(s) and senior management for any loss or termination of their office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

- (h) to ensure that no Director or any of his associates is involved in deciding his own remuneration;
- (i) to consult the chairman of the board and/or the chief executive officer about their remuneration proposals for other executive Directors and if necessary, engage such external professional advisors to assist and/or advise the Committee but only in accordance with the Company's policy for Directors to seek independent professional advice;
- (j) to do such things to enable the Committee to discharge its powers and functions conferred on it by the Board;
- (k) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the articles of association of the Company or imposed by legislation or the Listing Rules (where appropriate); and
- (l) to ensure the Company discloses details of any remuneration payable to members of senior management by band in the annual reports in accordance with the Listing Rules.

The Committee should utilise information obtained internally and externally to satisfy itself that basic salaries are competitive with current market conditions and that the total remuneration package/benefits are competitive with other companies of a similar size, business nature and scope as the Company.

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 legal or regulatory restrictions on its ability to do so.
- (b) Where the Board resolves to approve any remuneration or compensation arrangements with which the Committee disagrees with, the Board should disclose the reasons for its resolution in its next corporate governance report.
- (c) The Company should disclose details of any remuneration payable to members of senior management at least by band, or even on an individual and named basis as a best practice, in its annual reports with the endorsement of the Committee.

10. Minutes

- (a) 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.
- (b) Copies of the minutes of the meetings/written resolutions of the Committee shall be provided to the Board at its meetings.
- (c) 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.

11. 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 information 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.