

# LH GROUP LIMITED ( 叙福樓集團有限公司 )

*(Incorporated in the Cayman Islands with limited liability)*  
(stock code: 1978)  
(the “Company”)

## TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE EFFECTIVE ON 1 APRIL 2021

### 1. CONSTITUTION

- 1.1 The remuneration committee (the “Committee”) is established pursuant to a resolution passed by the board of directors (the “Board”) of the Company on 8 August 2017.
- 1.2 The terms of reference of the Committee shall comply with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and any other regulatory requirements as amended from time to time.
- 1.3 Save as otherwise provided herein expressly, proceedings of meetings of the Committee shall be governed by the provision of the articles of association of the Company for regulating the proceedings of meetings of the Board.

### 2. MEMBERSHIP

- 2.1 The Committee shall be appointed by the Board and shall consist of not less than three members, a majority of which shall be independent non-executive directors of the Company (“INEDs”). The chairman of the Committee shall be appointed by the Board and shall be an INED. In the absence of the chairman, the remaining members present shall elect one of themselves to chair the meeting.
- 2.2 Each member of the Committee shall disclose to the Committee any personal financial interest or any potential conflict of interest (other than as a shareholder) in any matter to be decided by the Committee.
- 2.3 The term of the members of the Committee is the same as that of directors and the members may be re-appointed upon the expiry of the current term. If a member resigns, ceases to be a director or for any other reason ceases to be a member of the Committee resulting in a reduction of the number of members below the minimum, the Board shall promptly appoint such number of new members as may be required to make up the minimum according to the aforesaid provisions.
- 2.4 The company secretary of the Company or any person appointed by the Committee shall be the secretary of the Committee. In the absence of the secretary, the members present shall elect one of themselves or appoint another person as the secretary for that meeting.

### **3. ATTENDANCE AT MEETINGS**

- 3.1 At all times the members of the Committee shall be notified of and be invited to attend all meetings of the Committee.
- 3.2 The quorum of a meeting of the Committee shall be two, of which at least one of them should be an INED. No business shall be transacted at any meeting of the Committee unless a quorum is present.
- 3.3 Only members of the Committee have the right to attend Committee meetings. Other persons including but not limited to any director, management, external advisors or consultants may be invited by the Committee to attend for all or part of any meeting as and when appropriate.
- 3.4 Members of the Committee may participate in a meeting of the Committee by means of a conference telephone or other communications equipment through which all persons participating in the meeting can hear each other. Participation of any person in a meeting pursuant to this provision shall constitute presence in person at such meeting.

### **4. FREQUENCY AND NOTICE OF MEETINGS**

- 4.1 Meetings of the Committee shall be held not less than once a year. The chairman of the Committee or any two members of the Committee may request a meeting if they consider it necessary. Meetings of the Committee shall be arranged by the secretary of the Committee.
- 4.2 Unless otherwise agreed by all the members of the Committee, notice of each meeting stating the time, date and place of the meeting shall be given to each member of the Committee and any other person invited to attend at least seven days prior to the date of the meeting (or such other period as all the members of the Committee may agree).
- 4.3 Agenda and any supporting documents and papers shall be forwarded to each member of the Committee and any other person invited to attend at least two days prior to the date of the meeting (or such other period as the members may agree).

### **5. COMMITTEE'S RESOLUTIONS**

- 5.1 Questions arising at any meeting shall be determined by a majority of votes of the members of the Committee present. Each member of the Committee shall have one vote. In the case of any equality of votes the chairman of the meeting shall have an additional or casting vote.

5.2 A resolution in writing signed by all the members of the Committee shall be as valid and effective as if it had been passed at a meeting of the Committee. Such resolution may be signed and circulated by facsimile or other forms of electronic communications. Any such resolution may be contained in a single document or may consist of counterparts each signed by one or more of the members of the Committee.

5.3 Members must abstain from voting in respect of any resolution which he is an interested party.

## 6. AUTHORITIES

6.1 The Committee is authorised by the Board to review, assess and make recommendations on any issue within these terms of reference of the Committee. The authorities of the Committee shall include such authorities set out in the relevant code provisions of the Corporate Governance Code (the “**Corporate Governance Code**”) as contained in Appendix 14 of the Listing Rules (as amended from time to time).

6.2 The Committee shall utilise information received internally and externally to satisfy itself that the basic salaries and total remuneration package and benefits offered by the Company are fair, reasonable and competitive in the current market conditions and compared with other companies of a similar size, business nature and scope as the Company.

6.3 The purpose of the establishment of the Committee is to enable the Company to be more transparent and objective in the setting of its remuneration in respect of the directors and senior management of the Company. The Committee is authorized by the Board to seek any information it requires from the management of the Company in order to perform its duties.

6.4 The Committee must ensure that the directors and senior management of the Company are fairly rewarded in light of their contribution to the Company and their performance and that they receive appropriate incentives to maintain high standards of performance and to improve their performance and the Company’s performance.

6.5 The Committee shall consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive directors. The Committee is authorised by the Board, and at the reasonable expense of the Company, to obtain legal or other independent professional advice and to secure the attendance of other persons with relevant experience and expertise in the meetings of the Committee if it considers this necessary.

6.6 A significant proportion of executive directors’ remuneration should link rewards to corporate and individual performance. Where the Board resolves to approve any remuneration or compensation arrangements with which the Committee disagrees, the Board should disclose the reasons for its resolution in its next Corporate Governance Report.

6.7 The Committee shall be provided with sufficient resources to perform its duties.

## **7. DUTIES**

7.1 The duties and functions of the Committee shall include such duties and functions set out in the relevant code provisions of the Corporate Governance Code. Without limitation to the foregoing, the Committee shall:

- (a) to make recommendations to the Board on the Company's policy and structure for remuneration of all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management, which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (d) to make recommendations to the Board on the remuneration of non-executive directors;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (f) to 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 reasonable 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; and
- (h) to ensure that no director or any of his associates is involved in deciding his/her own remuneration.

## **8. REPORTING PROCEDURES**

8.1 The secretary of the Committee shall cause full minutes with sufficient details to be made in books to be provided for the purpose of the proceedings of all meetings of the Committee and of the attendances thereat and of all business transacted, resolutions passed and orders made at such meetings.

8.2 Draft and final versions of minutes of meetings of the Committee shall be sent to all members of the Committee for their comment and records respectively, in both cases as soon as practicable after the meeting.

- 8.3 Any such minutes of any meeting, if purporting to be signed by the chairman of such meeting or by the chairman of the next succeeding meeting of the Committee, shall be sufficient evidence without any further proof of the facts therein stated.
- 8.4 The Committee shall report to the Board and the Board shall conduct a regular evaluation of the performance of the Committee. At the next meeting of the Board following a meeting/written resolution of the Committee, the secretary of the Company shall submit to the Board copies of the minutes/written resolutions setting out the findings, recommendations and decisions of the Committee, unless there are legal or regulatory restrictions on its ability to do so (such as restriction on disclosure due to regulatory requirements). Copies of the minutes of meetings, reports and/or written resolutions (if any) of the Committee shall be provided to the directors at the Board meetings.
- 8.5 The chairman of the Committee or in his absence, another member of the Committee or failing this, his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to answer questions at the annual general meeting on the Committee's work and its responsibilities.
- 8.6 Members attending the meeting and persons sitting in on the meeting shall maintain the confidentiality of all matters discussed at the meeting. Unauthorized disclosure of the relevant information shall be prohibited.
- 8.7 The Committee shall make available its terms of reference on the website of The Stock Exchange of Hong Kong Limited and the Company's website to explain its role and the authority delegated to it by the Board.
- 8.8 The Company shall disclose in its annual reports details of remuneration payable to members of senior management in full compliance with the Listing Rules. The work of the Committee during each financial year shall be summarized and included in the Corporate Governance Report which constitutes part of the annual report.

## **9. UPDATE OF THESE TERMS OF REFERENCE**

- 9.1 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. the Listing Rules). Any amendment to these terms of reference shall be by way of resolution of the Board.

The English version shall prevail in case of any discrepancy or inconsistency between the English version and its Chinese translation.