

# VXL CAPITAL LIMITED

(the "Company")

## REMUNERATION, QUALITY & NOMINATION COMMITTEE TERMS OF REFERENCE

The Remuneration, Quality & Nomination Committee (the "Committee") is established as a Committee of the Board of Directors (the "Board") with the following terms of reference (the "TOR") covering the powers and duties of the Committee as delegated by the Board in accordance with the Article 141 of the Company's Articles of Association.

### 1) Membership

- 1.1 The members of the Committee (the "Members") shall be appointed by the Board and shall consist of not less than three (3) Members, the majority of whom should be independent non-executive directors of the Company ("Independent Non-executive Directors").
- 1.2 The Chairman of the Committee (the "Chairman") shall be appointed by the Board and chaired by an Independent Non-executive Director. ***[Note: The chairman of a remuneration committee must be chaired by an INED pursuant to Rule 3.25 whereas the chairman of a nomination committee should be chaired by the chairman of the board or an INED pursuant to CP A.5.1]***
- 1.3 If a member of the Committee resigns or for any reason ceases to be a member with the result that the number of Members falls below three (3), the Board shall, within a reasonable time but not more than three (3) months, appoint such new members as may be required to make up the minimum of three (3) members.
- 1.4 All members of the Committee, including the Chairman, will hold office only so long as they serve as directors of the Company. The Board shall review their terms of office and performance of the Committee and each of its members at least once every three (3) years.

### 2) Secretary

- 2.1 The company secretary of the Company shall act as the secretary of the Committee (the "Secretary") and is responsible for drawing up the agenda with the concurrence of the Chairman and circulating the same, supported by explanatory documentation with sufficient details, to Members within a reasonable time prior to each meeting.

### 3) Meeting

- 3.1 Conduct of Meeting
  - 3.1.1 The Chairman shall normally chair the Meetings but in his absence, another Member who is an Independent Non-executive Director may be appointed to act as Chairman of the meeting.

- 3.1.2 Only Members have the right to attend Meetings. However, other individuals such as the chairman of the Board, the chief executive officer of the Company (“Chief Executive Officer”), other non-member directors, relevant members of the management, the external auditor and the internal auditor may be invited to attend all or part of any Meetings as and when appropriate.
  - 3.1.3 Unless specified by these terms of reference, meetings and proceedings of the Committee shall be governed by the Company’s articles of association regulating the meetings and proceedings of the directors of the Company.
- 3.2 Quorum for Meetings
  - 3.2.1 The quorum for meetings (the “Meetings”) of the Committee shall be two (2) Members, the majority of whom shall be Independent Non-Executive Directors.
- 3.3 Frequency of Meetings
  - 3.3.1 The Committee shall hold a minimum of one (1) meeting in a financial year (the “Regular Meeting”).
- 3.4 Requisition of Meetings
  - 3.4.1 The Chairman has the discretion to convene additional Meetings as deemed necessary. At the request of any member of the Committee, non-member directors and the Chief Executive Officer, the Chairman shall convene a meeting to consider the matters brought to his attention.
- 3.5 Notice of Meetings
  - 3.5.1 Unless otherwise agreed, notice of each Meeting confirming the venue, time and date should be given to all Members and invitees at least 14 days before Regular Meetings and within reasonable time for additional Meetings.
  - 3.5.2 An agenda of items and accompanying meeting papers shall be sent, in full, to all Members in a timely manner and at least three days before the intended date of Meeting (or other agreed period).
- 3.6 Minutes of Meetings
  - 3.6.1 The Secretary shall be entrusted with recording all proceedings and minutes of all Meetings. Such minutes shall be available for inspection at any reasonable time on prior reasonable notice by any director of the Company.
  - 3.6.2 The Secretary is responsible of assuring timely circulation of the draft and final versions of the minutes of the Meetings to the Members for their comment and records respectively within a reasonable time after the relevant Meetings are held.
  - 3.6.3 Minutes of Meetings should record in sufficient details the matters considered by the Committee and decisions or recommendations reached, including any concerns raised by Members or dissenting views expressed.

#### **4) Authority**

The Committee shall have the authority:-

- 4.1 to consult the Chairman and/or the Chief Executive Officer about their proposals relating to the remuneration of other executive directors of the Company;
- 4.2 to investigate any activity within its terms of reference;
- 4.3 to secure all information and documents relevant to its activities without limitation including unrestricted access to staff members;
- 4.4 to ensure possessing adequate resources to perform its duties and discharge its responsibilities; and
- 4.5 to obtain outside legal or other independent professional advice at the expense of the Company and to invite outsiders with relevant experience and expertise to attend the Meetings if it considers this necessary.

#### **5) Duties**

The Committee's duties are:-

##### **5.1 Remuneration**

- 5.1.1 to make recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- 5.1.2 to determine, with delegated responsibility, the remuneration packages of individual 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 on remuneration of non-executive directors of the Company. The Committee should consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- 5.1.3 to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- 5.1.4 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 not excessive;
- 5.1.5 to review and approve compensation arrangement relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

- 5.1.6 to ensure that no director or any of his associates is involved in deciding his own remuneration; and
- 5.1.7 to structure a significant proportion of executive directors' remuneration so as to link rewards to corporate and individual performance.
- 5.1.8 for Paragraph 5.5 below, to prepare a summary of the work, including:-
  - 5.1.8.1 determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts, performed by the Committee during the year; and
  - 5.1.8.2 An analysis of remuneration in respect of audit and non-audit services provided by the auditors to the Company, including, in respect of each significant non-audit service assignment, details of the nature of the services and the fees paid.

## **5.2 Nomination**

- 5.2.1 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;
- 5.2.2 to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- 5.2.3 to assess the independence of independent non-executive directors;
- 5.2.4 to make recommendations to the Board on the appointment or re-appointment of directors, succession planning for directors in particular the chairman of the Board and the Chief Executive Officer, and removal of a director or Chief Executive officer if he is ineffective, errant or negligent in discharging his responsibilities;
- 5.2.5 to ensure at all times, that at least one (1) of the independent non-executive directors who sits in the Audit Committee must have appropriate professional qualifications or accounting or related financial management expertise;
- 5.2.6 to establish a mechanism for formal assessment and to carry out an periodical assessment to evaluate the effectiveness of the Board as a whole, the contribution of each director to the effectiveness of the Board, the contribution of the Board's various committee and the performance of the Chief Executive Officer;
- 5.2.7 to develop and arrange an in-house orientation programme for new director to undergo within three (3) months of the appointment;

- 5.2.8 to identify and recommend suitable programmes to ensure existing directors receive continuous training or enhancement of knowledge particularly pertaining to regulatory developments from time to time;
- 5.2.9 to oversee the appointment, management succession planning and performance evaluation of key senior officers, and recommend to the Board the removal of key senior officers if they are ineffective, errant and negligent in discharging their responsibilities;
- 5.2.10 to make all assessments available to the full Board;
- 5.2.11 for Paragraph 5.5 below, to prepare:-
  - 5.2.11.1 a summary of the work, including determining the policy for the nomination of directors, performed by the Committee during the year; and
  - 5.2.11.2 the nomination procedures and the process and criteria adopted by the Committee to select and recommend candidates for directorship during the year;

### **5.3 Quality**

- 5.3.1 to set key performance indicators and establish compensation index in assessing performance of key personnels.
- 5.4 to make available its terms or reference, explaining its role and the authority delegated to it by the Board by including them on The Stock Exchange of Hong Kong Limited's website and the Company's website;
- 5.5 to prepare for inclusion in the Company's Corporate Governance Report as required under the Rules Governing the Listing of Securities of Stock Exchange of Hong Kong Limited a suitable narrated statement disclosing briefly the Committee's activities and assessments which shall include at least the following:-
  - 5.5.1.1 the role and function of the Committee;
  - 5.5.1.2 the composition of the Committee (including names and identifying in particular the chairman of the committee);
  - 5.5.1.3 the number of meetings held by the Committee during the year and the record of individual attendance of members, on a named basis, at meetings held during the year;
- 5.6 Annual General Meeting
  - 5.6.1 The Chairman, or in the absence of the Chairman, another members of the Committee or failing this his duly appointed delegate, shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

5.7 to periodically review the TOR of the Committee, and if warranted, to recommend a change of the TOR to the Board in order to ensure that the TOR is adequate, relevant and effective.

**6) Reporting Responsibility**

6.1 The Chairman shall report back to the Board on matters set out in these terms of reference and their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements.).

Revised and adopted on 30 March 2012

*[This document is prepared in Chinese and English. In the event that there is any discrepancy or inconsistency between the two versions, the English version shall prevail.]*