

# **PLAYMATES HOLDINGS LIMITED**

## **Terms of Reference of the Compensation Committee**

### **1. Membership**

1.1 Members of the Committee shall be appointed by the Board which shall comprise a majority of independent non-executive directors (“INED”) and shall consist of not less than two members. The Chairman of the Committee shall be an INED.

1.2 The Chairman of the Committee shall be appointed by the Board. In the absence of the Chairman of the Committee, the remaining members present shall elect one among themselves to chair the meeting.

### **2. Frequency and proceedings of meetings**

2.1 The quorum for the meeting shall be two.

2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive, other directors of the Company, human resources officer, external advisors and other persons having relevant skills and knowledge may be invited to attend any meeting as and when appropriate.

2.3 The Chairman of the Committee shall request any meeting as he considers necessary but the Committee shall meet at least once a year.

2.4 The Company Secretary shall be the secretary of the Committee. The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

### **3. Authority**

3.1 The Committee shall be authorised to review the Group’s policies and practices for the remuneration of members of staff, directors and senior management, consider any findings and management’s response, advise the Board about the results of the review and provide overall recommendations.

3.2 The Committee shall consult the Chairman of the Board and/or Chief Executive about their remuneration proposals for other executive directors.

3.3 The Committee is authorized to seek independent professional advice when it considers necessary, at the Company's expenses, to perform its responsibilities.

#### **4. Duties**

4.1 The Committee shall perform the following duties:

- (a) to make recommendations to the Board on the Group'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;
- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) either:
  - (i) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or
  - (ii) to make recommendations to the Board on the remuneration packages of individual executive directors 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;
- (d) to determine the remuneration packages of the Chairman of the Board and Chief Executive;
- (e) to make recommendations to the Board on the remuneration packages of non-executive directors;
- (f) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.
- (g) 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;
- (h) 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
- (i) to ensure that no director or any of his associates is involved in deciding his own remuneration.

4.2 The compensation of non-executive directors, including Committee members shall be reviewed by the executive directors initially, and the executive directors should communicate their findings to the Committee. The Committee will then make recommendations to the Board for final approval.

## **5. Minutes and records**

All records (including minutes of the proceedings and resolutions of the Committee) should be prepared and handled by the secretary of the Committee. Draft and final versions of minutes shall be circulated to all members of the Committee for their comment and records respectively, in both cases within a reasonable period of time after the meeting.

Revised on 29 February 2012