

PERFECT GROUP INTERNATIONAL HOLDINGS LIMITED

保發集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(the “**Company**”)

(**Stock code: 3326**)

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE ADOPTED BY THE BOARD ON 14 DECEMBER 2015

1. Membership

- (a) The remuneration committee (the “**Committee**”) shall be appointed by the board (the “**Board**”) of directors (the “**Directors**”) of the Company and shall consist of not less than three (3) members, a majority of whom shall be independent non-executive Directors (“**INED(s)**”). The constitution of the Committee shall comply with the requirements of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as amended from time to time.
- (b) The Chairman of the Committee shall be an INED.
- (c) If the Company fails to set up the Committee or at any time has failed to meet any of the other requirements in Rules 3.25 and 3.26 of the Listing Rules, it must immediately publish an announcement containing the relevant details and reasons. The Company must set up the Committee with written terms of reference and/or appoint appropriate members to it to meet the requirement(s) within three months after failing to meet them.

2. Attendance at Meetings

- (a) INEDs and other non-executive Directors, as equal Board members, should give the Committee on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.
- (b) For regular Committee meetings, and as far as practicable in all other cases, an agenda and accompanying papers should be sent, in full, to all Directors. These should be sent in a timely manner and at least three (3) days before the intended date of the Committee meeting (or other agreed period).
- (c) At all times the members of the Committee shall be notified of and be invited to all meetings of the Committee and may attend all the meetings of the Committee, provided that a member of the Committee shall not be in attendance when his/her own remuneration package/benefits are being discussed.
- (d) The quorum of a meeting of the Committee shall be three (3) members of the Committee, of whom at least two shall be INEDs.

- (e) The Committee may, if necessary, invite other advisors to attend the meetings of the Committee, including but not limited to lawyers, external professional advisors or consultants to advise its members.
- (f) The secretary to the Company shall be the secretary to the Committee who shall attend all meetings of the Committee.
- (g) 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 in a meeting pursuant to this provision shall constitute presence in person at such meeting.

3. Frequency and Proceedings of Meetings

- (a) Meetings shall be held not less than once a year. The Chairman of the Committee or any two (2) members of the Committee may request a meeting if he/she/they consider(s) necessary. Meetings of the Committee shall be arranged by the secretary to the Committee upon instruction of the Chairman of the Committee.
- (b) Unless otherwise agreed by all the members of the Committee, a meeting shall only be called with at least seven (7) days' prior notice.

4. Committee's Resolutions

- (a) 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 and may consist of several documents in like form each signed by one or more of the members of Committee. Such resolution may be signed and circulated by facsimile or other forms of electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a meeting of the Board or Committee to be held.
- (b) Minutes of meetings of the Committee should be kept by the secretary to the Committee and should be open for inspection at any reasonable time on reasonable notice by any Director.
- (c) Minutes of meetings of the Committee should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed.

5. Purpose and Authorities

- (a) The purpose of the establishment of the Committee is to enable the Company to be more open and objective in the setting of its remuneration in respect of the Directors and the senior management of the Company.
- (b) The Committee is authorised by the Board to review, assess and make recommendations on any issue in these terms of reference of the Committee.
- (c) The Committee shall utilise information received internally and externally to satisfy itself that base salaries and the total remuneration package/benefits offered by the Company are competitive in the current market conditions and compared to other companies of a similar size, business nature and scope as the Company.
- (d) The Committee must ensure that the Directors and the 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.
- (e) The Committee should consult the chairman and/or chief executive about their remuneration proposals for other executive Directors. The Committee should have access to independent professional advice if necessary.
- (f) The Committee should make available these terms of reference, explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange's website and the Company's website.
- (g) The Committee shall be provided with sufficient resources to perform its duties.
- (h) Management has an obligation to supply the Committee with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. To fulfil his/her duties properly, a member of the Committee may not, in all circumstances, be able to rely purely on information provided voluntarily by management and he/she may need to make further enquiries. Where any member of the Committee requires more information than is volunteered by management, he/she should make further enquiries where necessary. So, the Committee and the members of the Committee should have separate and independent access to the Company's senior management.
- (i) The Board should not delegate matters to the Committee to an extent that would significantly hinder or reduce the ability of the Board as a whole to perform its functions.

6. Power and Duties

The power and duties of the Committee shall be:

- (a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's 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 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 Company and its subsidiaries;
- (f) to review and approve the 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;
- (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/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

7. Reporting Procedures

- (a) The Committee should report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).
- (b) The Company should disclose details of any remuneration payable to members of senior management by band in its annual reports.
- (c) The chairman of the Board should invite the chairman of the Committee to attend the annual general meeting. In his/her absence, the chairman of the Board should invite another member of the Committee or failing this his/her duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

8. Revision 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. the Listing Rules) in Hong Kong.