



CHINA FOODS LIMITED
中國食品有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00506)

Terms of Reference of the Remuneration Committee

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Constitution

1. The board of the directors (the “**Board**”) of China Foods Limited (the “**Company**”) established the Remuneration Committee (the “**Committee**”) on 6 April 2005.

Objective

2. The Committee shall review and make recommendation to the Board on the Company’s remuneration policy and structure for all directors and senior management and make recommendations to the Board on the remuneration packages of all executive directors (the “**Executive Directors**”) and senior management (the “**Senior Management**”) of the Company, and the remuneration of non-executive directors. The Committee shall also review and approve the terms of and/or matters relating to incentive schemes (including share schemes under Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (as amended from time to time). The Company shall pay sufficient remuneration to attract and retain the directors to run the Company successfully without paying more than necessary. No director should be involved in deciding his own remuneration.

For the purpose of these terms of reference, “Senior Management” should refer to the same category of persons as referred to in the Company’s annual report and is required to be disclosed under paragraph 12A of Appendix 16 to the Listing Rules.

Membership

3. The Committee members shall be appointed by the Board on the recommendation of the nomination committee from amongst the directors of the Company and shall consist of not less than three members.
4. The majority of the members of the Committee shall be independent non-executive directors.
5. The chairman of the Committee shall be appointed by the Board following receipt of a proposal from the nomination committee, who shall be an independent non-executive director.

Committee secretary

6. The company secretary of the Company shall act as the secretary of the Committee (the “**Secretary**”).

Proceedings of meetings

7. A quorum shall be two members.

8. The Committee members shall participate in meetings of the Committee either in person or by means of a conference telephone or similar communications equipment which all persons participating in the meeting are capable of hearing each other.
9. Meetings of the Committee shall be chaired by the chairman of the Committee. In the absence of the chairman of the Committee, the remaining members present shall elect one of them to chair the meeting.
10. The Committee may invite the Executive Directors and/or other persons to attend part or whole of its meetings where it is necessary.

Frequency of meetings

11. Regular meetings of the Committee shall be held at least once during a financial year. Ad hoc meetings may also be convened as the chairman of the Committee shall require.

Arrangement for and notices of meetings

12. Meetings of the Committee shall be called by the Secretary as instructed by the chairman of the Committee, or requested by the Board.
13. Notices of at least 14 days shall be given to all members and other attendees (as the case may be) for regular meetings of the Committee. For all other meetings, reasonable notices shall be given.
14. If any member of the Committee wishes to include matters in the agenda for a particular regular meeting, the member may notify the Secretary such matters in writing within seven days after a notice of the meeting is given.

Minutes of meetings

15. The Secretary shall minute in sufficient detail the matters considered and decisions reached of all Committee meetings, including any concerns raised by members of the Committee or dissenting views expressed as well as the names of those present and in attendance.
16. Draft and final versions of minutes of meetings of the Committee shall be sent to all Committee members for their comment and records respectively within a reasonable period of time after the meetings are held. Minutes of meetings of the Committee are open for inspection by any director at any reasonable time on reasonable notice to the company secretary.

Authority

17. The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed and required to co-operate with any request made by the Committee.

Consultation

18. The Committee shall consult with the chairman of the Board and/or managing director of the Company about the remuneration proposals for other Executive Directors.

Access to services of company secretary

19. The Committee shall be provided with sufficient resources to perform its duties. Members of the Committee shall have access to the advice and services of the company secretary to ensure that board procedures and all applicable rules and regulations are followed.

Access to independent professional advice

20. The Committee is authorized by the Board to obtain, in connection with its duties and at the Company's expense, any outside legal or other independent professional advice and to secure the attendance of external advisors with relevant experience and expertise at meetings if it considers this necessary. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it to discharge its duties.

Duties

21. The Committee shall perform the following duties:
 - a. to make recommendations to the Board on the Company's policy and structure for all directors' and the Senior Management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
 - b. to make recommendations to the Board on 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 the remuneration packages of individual non-Executive Directors. The Committee should consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Company and its subsidiaries;
 - c. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
 - d. to review, provide its view on and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules (including but not limited to any change to the terms of options or award granted to the Directors and Senior Management);

- e. to review and approve compensation payable to the 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;
- f. 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;
- g. to ensure that no director or any of his associates is involved in deciding his own remuneration;
- h. to advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval; and
- i. the chairman of the Committee or his nominee shall attend the Company's annual general meetings and special general meetings (if appropriate) and be prepared to answer questions raised by shareholders in relation to their duties.

Reporting procedures and contents

- 22. The Committee shall report to the Board. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report the findings and recommendations (if any) to the Board.
- 23. Disclosure in the Corporate Governance Report in the annual report should include:
 - a. the role, function and composition of the Committee and whether it comprises independent non-executive directors, non-executive directors and executive directors (including their names and identifying the chairman of the Committee);
 - b. the number of the Committee meetings held during the year and the record of attendance of members, by name, at meetings held during the year;
 - c. the summary of work performed by the Committee during the year, including determining the policy for the remuneration of the directors, assessing performance of the Executive Directors, approving the terms of their service contracts and giving explanation on the appropriateness of such material matters (if any) in relation to share schemes of the Company approved by the Committee;
 - d. details of non-compliance with rule 3.25 of the Listing Rules (if any) and an explanation of the remedial steps taken by the Company to address non-compliance; and
 - e. the model of the Committee adopted as described in code provision E.1.2(c) under Appendix 14 to the Listing Rules.

Others

24. These terms of reference are available on the HKExnews website of The Stock Exchange of Hong Kong Limited and the website of the Company and available on reasonable request made to the company secretary at reasonable time.