

## **TERMS OF REFERENCE BOARD REMUNERATION COMMITTEE**

On 25 February 2005, the Board of Directors of Guoco Group Limited (the “Company”) resolved to establish the Board Remuneration Committee to take effect from 1 July 2005. The following set out the terms of reference for the Committee.

### **1. NAME OF COMMITTEE**

There shall be established a board remuneration committee of the Board of Directors of the Company (“the Board”), to be known as the Board Remuneration Committee (“the Committee”).

### **2. APPOINTMENT OF MEMBERS OF THE COMMITTEE**

2.1 The Committee shall comprise such number of directors of the Company as the Board may determine, provided a majority of the Committee shall comprise members who are independent non-executive directors of the Company.

2.2 Unless otherwise determined by the Board the minimum number shall be three and the first members of the Committee shall be:-

- Mr. Quek Leng Chan (Chairman)
- Mr. Harry Richard Wilkinson
- Mr. Volker Stoeckel

2.3 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, within 3 months of that event, appoint such number of new members as may be required to make up the minimum.

2.4 All appointments of the Chairman and other members of the Committee shall be subject to prior approval of the Board.

### **3. TERM OF APPOINTMENT OF THE COMMITTEE**

The Committee was constituted on 1 July 2005.

#### **4. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

Subject to any regulation or restriction that may be imposed upon it by the Board from time to time, the Committee shall be responsible for, and the Board hereby delegates to the Committee, such of its powers, authorities and discretions as may be necessary for:

- 4.1 making recommendations to the Board on its policy and structure for all remuneration of directors and senior management<sup>(Note 1)</sup> and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- 4.2 determining the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payment, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive directors (the Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance-based remuneration);
- 4.3 reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- 4.4 reviewing and approving the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- 4.5 reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
- 4.6 ensuring that no directors or their associates are involved in deciding their own remuneration<sup>(Note 2)</sup>.

*Notes:*

1. *According to the Code on Corporate Governance Practices of Hong Kong Exchanges and Clearing Limited, "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 12 of Appendix 16 to the Listing Rules. "Senior management" in the context hereof shall refer to those persons with staff grading fall into the "Senior Managerial Grade" under the Staff Grading System as set out in the Group Human Resources Manual of the Company. "Senior management" herein may include more than those persons required to be disclosed under paragraph 12 of Appendix 16 to the Listing Rules.*
2. *The Committee shall advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under Rule 13.68 of the Listing Rules.*

## **5. PROCEEDINGS OF THE COMMITTEE**

- 5.1 The Committee may meet together for the dispatch of business, adjourn and otherwise regulate its meetings as it thinks fit and, subject to 5.2, determination of the quorum necessary for the transaction of business.
- 5.2 No business shall be transacted at any meeting of the Committee unless a quorum is present, which quorum shall at a minimum constitute two members who should be independent directors.
- 5.3 All meetings of the Committee may be held at such times and in such places as it deems appropriate. To carry out the above functions, the Committee shall meet at least once annually (including by means of telephonic and video conference). The Committee has the discretion to invite any director and management executive to attend any meeting.
- 5.4 A member of the Committee may, and at the request of a member of the Committee, the Secretary of the Committee shall, at any time summon a meeting of the Committee by notice served upon each member of the Committee.
- 5.5 All decisions of the Committee shall be made by way of resolutions which may for convenience be recorded as decisions in the minutes of the meeting. Questions arising at any meeting of the Committee shall be decided by a majority of votes. Members should abstain from voting in respect of any resolution which he is an interested party.

- 5.6 A resolution in writing signed by the majority of the members from the Committee (provided that a majority of the members participating in such a decision shall be independent) shall be as valid and effectual as if it had been passed at a meeting of the Committee. Any such resolution may be contained in a single document or may consist of several documents all in like form. For the purpose of these regulations, "in writing" and "signed" include approval by telex, facsimile, cable and telegram.
- 5.7 The Committee shall cause proper minutes 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. 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.

## **6. SUPERVISION BY BOARD**

The Committee shall at all times be subject to the supervision of the Board and shall ensure that all minutes of the Committee meetings are circulated to the members of the Board.

## **7. SECRETARY**

The Secretary of the Committee shall be the Secretary of the Company or such other person as nominated by the Board.

## **8. DISSOLUTION, RE-ORGANISATION AND RE-ESTABLISHMENT OF THE REMUNERATION COMMITTEE**

The Board may at any time dissolve the Committee or reorganise the composition thereof or redesignate the powers, authorities or discretions thereof or after its dissolution re-establish the same, upon such terms and conditions as the Board shall determine.