

LHN LIMITED
賢能集團有限公司*

(Incorporated in the Republic of Singapore with limited liability)
(the “Company”, and together with its subsidiaries, the “Group”)
(Stock code: 1730)

TERMS OF REFERENCE FOR REMUNERATION COMMITTEE

1. MEMBERSHIP

- 1.1 The Remuneration Committee (the “RC”) shall be appointed by the Board (the “Board”) of Directors (the “Directors”) of the Company from amongst its members, and shall comprise at least three (3) members.
- 1.2 All members shall be non-executive Directors of the Company, the majority of whom, including the chairman of the RC (the “Chairman”) shall be independent non-executive Director.
- 1.3 The Board shall consider whether a Director is independent in accordance with the provisions of the HK Listing Rules and the Listing Manual (the “Listing Manual”) of the Singapore Exchange Securities Trading Limited (“SGX-ST”), including the Code. In the event of differences between the HK Listing Rules and the Code, the Board shall comply with the more onerous rule and/or requirement.

If the Board wishes, in spite of the existence of one or more of the relationships as listed in the return (Annex 1) referred to in clause 1.4 below, to consider a Director as independent, the Company should disclose in full the nature of the Director’s relationship and bear responsibility for explaining why he should be considered independent.

- 1.4 On appointment, and thereafter, on an annual basis, every member shall complete a return (Annex 1) as to his independence. The Board shall review the return to decide if a Director is to be considered independent.
- 1.5 An independent member shall immediately notify the secretary of the Company of any change in circumstances that may result in him not being able to meet the criteria for independence.

The Board may, after considering the change in circumstances, reconstitute the RC in compliance with the RC’s terms of reference, the HK Listing Rules and the Listing Manual.

- 1.6 A member who wishes to retire or resign from the RC shall notify the Board in writing, giving at least one (1) month’s notice.
- 1.7 The office of a member shall become vacant upon the member’s death/resignation/retirement/removal or disqualification as a Director of the Company.

- 1.8 The appointment of the members of the RC may be revoked, or additional members may be appointed to the RC by separate resolutions passed by the Board and by the RC, subject to and/or taking into consideration the recommendations from the nominating committee of the Company.
- 1.9 Except for the situation as specified in paragraph 4.1 below, a member may not appoint any alternate.
- 1.10 If for any reason, the total number of members shall fall below three (3), the Board shall, as soon as practicable and reasonable, and in any case not later than three (3) months of such occurrence, appoint such number of new members so that the total number of members is at least three (3).

2. ADMINISTRATION

2.1 Meetings

- (a) The meetings of the RC may be conducted by means of telephone conferencing or other methods of simultaneous communication by electronic or telegraphic means and the minutes of such a meeting signed by the Chairman shall be conclusive of any meeting conducted as aforesaid.
- (b) Meetings of the RC will be held as the RC deems appropriate. The RC should meet at least once a year and meetings should be organized so that attendance is maximised. A meeting may be called, at any other time, by the Chairman or any member of the RC. A Director or Management may be invited to the meetings.
- (c) The Secretary of the RC shall be the current Company Secretary.
- (d) The Secretary shall attend all meetings and minute the proceedings thereof.
- (e) Minutes of all meetings shall be confirmed by the Chairman of the meeting and circulated to all members of the RC.

If the Chairman of the RC so decides, the minutes shall be circulated to other members of the Board. Any Director may, provided there is no conflict of interest and with the agreement of the Chairman, obtain copies of the minutes of RC meetings.

- (f) The notice of each meeting of the RC, confirming the venue, date and time and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the RC at least three (3) working days prior to the date of the meeting.

2.2 Quorum

The quorum shall be two (2) members, including at least one independent non-executive director.

2.3 Voting

A resolution shall be considered passed if:

- (a) there is a majority of votes passed in favour of the resolution during a meeting of the RC,
or
- (b) there is agreement in writing by a majority of members entitled to participate in the decision.

In the event of an equality of votes, the Chairman shall have a casting vote.

A resolution in writing signed by all members of the RC shall be valid and effectual as if it had been passed at a meeting of the RC duly convened and held. This provision is without prejudice to any requirement under the HK Listing Rules for a Committee meeting to be held.

Any member who has an interest in any matters being reviewed or considered by the RC shall abstain from voting on that matter.

Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package or that of employees related to him. No Director or any of his associates shall be involved in deciding his own remuneration.

3. DUTIES

The duties of the RC shall be:

- 3.1 To review and submit its recommendations for endorsement by the entire Board, on the policy and general framework of remuneration for the Board and the senior management, on the establishment of a formal and transparent procedure for developing remuneration policy, and the specific remuneration packages (which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) and terms of employment (where applicable) for each Director, Managing Director or the CEO (if CEO is not a director) and key management personnel including but not limited to senior executives/divisional directors/those reporting directly to the Managing Director/Chairman/CEO.
- 3.2 To review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives, any bonuses, pay increases and/or promotions for employees related to the directors, controlling shareholders and/or substantial shareholders of the Group, any compensation payable to any executive Director or 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, and any compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate.

- 3.3 To review and submit its recommendations for endorsement by the entire Board, share-based incentives or awards or any long term incentive schemes which may be set up from time to time, in particular to review whether directors and key management personnel should be eligible for such schemes and also to evaluate the costs and benefits of such schemes and to do all acts necessary in connection therewith.
- 3.4 To function as the committee referred to in the LHN Performance Share Plan (“the Scheme”) and shall have all the powers as set out in the Scheme.
- 3.5 To carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time.
- 3.6 To conduct an annual assessment of its performance against its Terms of Reference duties and responsibilities and provide a report of the findings to the Board.
- 3.7 To ensure that all aspects of remuneration including but not limited to directors’ fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered.
- 3.8 As part of its review, the RC shall take into consideration:
 - (i) that the remuneration packages should be comparable within the industry and in comparable companies (taking into account the time commitment, responsibilities and employment conditions elsewhere in the Group) and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual directors’ and key management personnel’s performance. A significant and appropriate proportion of executive directors’ and key management personnel’s remuneration should be structured so as to link rewards to corporate and individual performance.
 - (ii) that the remuneration packages of employees related to executive directors, Managing Director or CEO (if CEO is not a director) and substantial or controlling shareholders of the Group are in line with the Group’s staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.
 - (iii) That the level and structure of remuneration should be aligned with the long-term interests and risk policies of the Company and Guidelines 8.1 to 8.4 of the Code of Corporate Governance.

- (iv) The Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses.

4. ATTENDANCE AT GENERAL MEETINGS

The Chairman (or in his absence, an alternative member) of the RC shall attend the General Meetings of the Company and be prepared to answer questions falling within the scope of the RC.

5. REMUNERATION

Having regard to the functions performed by members of the RC in addition to their functions as Directors in relation to the activities of the RC and pursuant to the specific power conferred upon the Board by the Articles of Association of the Company, members of the RC may be paid such special remuneration in respect of their appointment and in such manner as shall be fixed by the Board.

6. CONTINUING APPLICATION OF THE CONSTITUTION OF THE COMPANY

The constitution of the Company regulating the meetings and proceedings of the directors so far as the same are applicable and are not replaced by or inconsistent with the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

7. POWERS OF THE BOARD

The Board may, subject to compliance with the constitution of the Company, the Listing Manual, the Code, and the HK Listing Rules (including Appendix 14 (the Corporate Governance Code and Corporate Governance Report) to the HK Listing Rules), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

8. GENERAL

8.1 The RC in carrying out its tasks under these terms of reference may obtain at the Company's expense such external or other independent professional advice as it considers necessary to carry out its duties.

8.2 The Board will ensure that the RC has the resources and access to independent professional advice in order for it to perform its duties.

8.3 The RC shall ensure that existing relationships, if any, between the Company and any consultants will not affect the independence and objectivity of the consultants.

8.4 These terms of reference may from time to time be amended as required, subject to the approval of the Board.

8.5 If there is any inconsistency between the English and Chinese versions of these terms of reference, the English version shall prevail.

* *For identification purpose only*

LHN LIMITED

(the “Company”)

CONFIRMATION OF INDEPENDENCE

I confirm the following for the requirements under the Singapore Code of Corporate Governance:

- (a) That I *am/am not an executive Director of the Company or any of its related corporations¹ and *have/have not been employed by the Company or any of its related corporations¹ for the current or any of the past three financial years.
- (b) That I *have/do not have an immediate family member² who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations¹ and whose remuneration is determined by the Company’s Remuneration Committee.
- (c) That I (including my immediate family member²) *have/have not accepted any significant compensation from the Company or any of its related corporations¹ for the current or immediate past financial year, other than compensation for board service.
- (d) That I (including my immediate family member²) *am/am not in the current or immediate past financial year *a 10% shareholder^{2, 3} of, or a partner in (with 10% or more stake), or an executive officer of, or a director of any for-profit business organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services (aggregated over any financial year in excess of S\$200,000) in the current or immediate past financial year.
- (e) That I *am/am not a 10% shareholder³ or an immediate family member of a 10% shareholder of the Company.
- (f) I *am/am not directly associated⁴ with a 10% shareholder³ of the Company in the current or immediate past financial year.
- (g) That I *do/do not have a relationship with the Company, its related corporations¹, its 10% shareholders³ or its officers that could interfere or be reasonably perceived to interfere, with my exercise of independent business judgment with a view to the best interests of the Company

If any of the relationships stated above exist, please provide details:

I further confirm the following for the requirements under the HK Listing Rules:

- (h) That I hold/do not hold more than 1% of the number of issued shares of the Company.

- (i) That I have/have not received interest in securities of the Company as a gift, or by means of other financial assistance, from a core connected person (as defined in the HK Listing Rules) or the Company itself
- (j) That I am/am not a director, partner or principal of a professional adviser which currently provides or has within one year immediately prior to the date of this confirmation provided services, or is an employee of such professional adviser who is or has been involved in providing such services during the same period, to (i) the Company, its holding company or any of their respective subsidiaries or core connected person (as defined in the Listing Rule), or (ii) any person who was a controlling shareholder (as defined in the HK Listing Rules) or, where there was no controlling shareholder, any person who was the chief executive or a Director (other than an independent non-executive Director), of the Company within one year immediately prior to the date of this confirmation, or any of their close associates.
- (k) That I have/do not have a material interest in any principal business activity of or is involved in any material business dealings with the Company, its holding company or their respective subsidiaries or with any core connected persons (as defined in the HK Listing Rules) of the Company.
- (l) That I am/am not on the board specifically to protect the interests of an entity whose interests are not the same as those of the shareholders as a whole.
- (m) That I have been/have not been connected with a director, the chief executive or a substantial shareholder (as defined in the HK Listing Rules) of the Company within two years immediately prior to the date of this confirmation.
- (n) That I have/have not at any time during the two years immediately prior to the date of this confirmation been, an executive or Director (other than an independent non-executive Director) of the Company, of its holding company or of any of their respective subsidiaries or of any core connected persons (as defined in the HK Listing Rules) of the Company.
- (o) That I am/am not financially dependent on the Company, its holding company or any of their respective subsidiaries or core connected persons (as defined in the HK Listing Rules) of the Company.

If any of the relationships stated above exist, please provide details:

In view of the foregoing, I am to be considered independent/not independent* of the Company's Management as contemplated by the Singapore Code of Corporate Governance and as required by Rule 3.13 of the HK Listing Rules.

Name:

Date:

* *delete where inapplicable*

- 1 The term "related corporation" in relation to a company, shall have the same meaning as currently defined in the Companies Act, i.e. the company's holding company, subsidiary or fellow subsidiary.
- 2 The term "immediate family member" shall have the same meaning as currently defined in the Listing Manual of the Singapore Exchange, i.e. the person's spouse, child, adopted child, step-child, brother, sister and parent.
- 3 The term "10% shareholder" shall refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company. "Voting shares" exclude treasury shares.
- 4 A director will be considered "directly associated" with a 10% shareholder when the director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the 10% shareholder in relation to the corporate affairs of the corporation. A director will not be considered "directly associated" with a 10% shareholder by reason only of his or her appointment having been proposed by that 10% shareholder.