

SH GROUP (HOLDINGS) LIMITED
順興集團(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1637)

**TERMS OF REFERENCE OF
THE NOMINATION COMMITTEE**

(Adopted on 6 December 2016 and revised on 7 January 2019)

SH GROUP (HOLDINGS) LIMITED

Terms of Reference of the Nomination Committee (adopted on 6 December 2016 and revised on 7 January 2019)

Formation

1. The nomination committee (the “**Committee**”) of SH Group (Holdings) Limited (the “**Company**”) was formed pursuant to the resolution of the board of directors of the Company (the “**Board**”) passed on 6 December 2016.

Composition and Quorum

2. The Committee shall consist of not less than three directors appointed by the Board from time to time. A majority of the Committee members should be independent non-executive directors of the Company.
3. The Committee must be chaired by the chairman of the Board or an independent non-executive director within the Committee and appointed by the Board.
4. The quorum for a meeting of the Committee shall be two members, one of whom must be an independent non-executive director.
5. The appointment of the members of the Committee may be revoked, replaced or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee. An appointment of a member of the Committee shall be automatically revoked if such member ceases to be a member of the Board.
6. The term of office of a member of the Committee shall be determined by the Board at the date of appointment.
7. The company secretary of the Company shall be the secretary of the Committee. The secretary of the Committee or in his/her absence, his/her representative or any one member of the Committee, shall be the secretary of the meetings of the Committee.

Attendance at meetings

8. Upon the invitation from the Committee, the chairman of the Board and/or the general manager or the chief executive officer, external advisor and other persons can be invited to attend all or part of any meeting.
9. Only the members of the Committee can vote in the meeting.

10. Members of the Committee may attend meetings of the Committee either in person or through other electronic means of communication including telephone or videoconferencing. The members of the Committee can attend the meeting via telephone or any similar communication device (all persons attending such meeting should be able to hear from such member via such communication device).

Proceedings of meetings

11. The provisions of the articles of association of the Company regulating the meetings and proceedings of the meetings of the Board so far as the same are applicable and not inconsistent with the provisions of these terms of reference shall mutatis mutandis apply to regulate the meetings and the proceedings of the meetings of the Committee.

Annual General Meeting

12. The chairman of the Committee or (if absent) the other member of the Committee (must be an independent non-executive director) should attend the annual general meeting of the Company, handle the shareholders' enquiry on the activities and responsibilities related to the Committee.

Authority

13. The Committee is authorised by the Board with the objective to ensure a fair and transparent process of the Board appointments, in particular to assist the Board to identify suitable candidates and make recommendations for consideration by the Board and the shareholders of the Company.
14. The Committee shall report directly to the Board after each meeting 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).
15. The Committee shall be provided with sufficient resources to discharge its duties.
16. The Committee is authorised to obtain independent professional advice at the Company's expense, and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary. The Committee shall have sole authority to approve related fees and retention terms.
17. The Committee may delegate its authority to subcommittees or the chairman of the Committee when it deems appropriate and in the best interests of the Company.
18. The Committee is authorised by the Board to request from employee of the Company to provide any information within the scope of its duties.

Duties

19. The duties of the Committee shall be:
- (a) to review the structure, size and composition (including the skills, knowledge, educational background, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the board to complement the Company's corporate strategy;
 - (b) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board in the selection of, individuals nominated for directorship;
 - (c) to assess the independence of the independent non-executive directors;
 - (d) to make recommendations to the Board on:
 - (i) the policies on the structure of the Board and senior management;
 - (ii) the roles, responsibilities, capabilities, skills, knowledge and experience required from members of the Board;
 - (iii) the terms of employment of the directors and senior management with reference to comparable companies;
 - (iv) the composition of the audit committee, remuneration committee and other board committees of the Company;
 - (v) proposed changes to the structure, size and composition of the Board to complement the Company's corporate strategy;
 - (vi) candidates suitably qualified to become members of the Board;
 - (vii) the selection of individuals nominated for directorship on merits and against objective criteria, with due regard on the benefits of diversity on the Board;
 - (viii) the re-election by shareholders of the Company of any directors who are to retire by rotation having regard to their performance and ability to continue to contribute to the Board;
 - (ix) the continuation (or not) in service of any independent non-executive director serving more than nine years and to provide recommendations to the shareholders of the Company as to how to vote in the resolution approving the re-election of such independent non-executive director;

- (x) the appointment, re-designation, re-appointment of directors; and
 - (xi) succession planning for directors, in particular the chairman and the chief executive, after taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future;
- (e) to review the Board Diversity Policy adopted by the Board on a regular basis; make recommendations to the Board on measurable objectives for achieving diversity of the Board and monitor the progress on achieving the objectives;
- (f) where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he should be elected and the reasons why they consider him to be independent.
- (g) to give full consideration to the following in the discharge of its duties as mentioned above or elsewhere in these terms of reference:
- (i) succession planning of directors;
 - (ii) leadership needs of the Company and the subsidiaries with a view of maintaining or fostering their competitive edge over others;
 - (iii) changes in market environment and commercial needs of the market in which the Company and the subsidiaries operates;
 - (iv) the skills and expertise required from members of the Board;
 - (v) the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") with regard to directors of a listed issuer;
 - (vi) in respect of any proposed service contracts to be entered into by any members of the Company and the subsidiaries with their directors or proposed director, which require the prior approval of the shareholders of the Company at general meeting under rule 13.68 of the Listing Rules, to review and provide recommendations to the shareholders of the Company (other than shareholders who are directors with a material interest in the relevant service contracts and their respective associates) as to whether the terms of the service contracts are fair and reasonable and whether such service contracts are in the interests of the Company and the shareholders as a whole, and to advise shareholders on how to vote;

- (vii) to ensure that on appointment to the Board, each director receives a formal letter of appointment setting out what is expected of them in terms of time commitment, committee service and involvement outside meetings of the Board;
- (viii) to conduct exit interviews with any director upon their resignation in order to ascertain the reasons for his departure; and
- (ix) to consider other matters, as defined or assigned by the Board from time to time.

Nomination Policy and Procedure

20. To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new director (to be an additional director or fill a casual vacancy as and when it arises) or any re-appointment of directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:-

- (a) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;
- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the audit committee, the remuneration committee and the Committee (in the case of candidate for non-executive director) and other relevant Board committees, if invited;
- (d) bringing a range of business and financial experience to the Board, giving the Board and any committee on which he or she serves the benefit of his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/committee meetings;
- (e) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

- (f) ensuring the committees on which he or she serves to perform their powers and functions conferred on them by the Board; and
- (g) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive director with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

Reporting procedures

- 21. The secretary to the Committee shall keep full minutes of all Committee meetings. Minutes of Committee meetings shall record in sufficient detail the matters considered by the Committee members and decisions reached, including any concerns raised by the Committee members and dissenting views expressed. Draft and final versions of minutes of meeting of the Committee shall be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting. The secretary shall also circulate the minutes of meetings, reports and all written resolutions of the Committee to all members of the Board.

Powers of the Board

- 22. The Board may, subject to compliance with the articles of association of the Company and the 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 these terms of reference or resolution had not been amended or revoked.

Publication of these terms of reference

- 23. A copy of these terms of reference will be posted on the websites of the Company and the Stock Exchange.