

XIAMEN YAN PALACE BIRD'S NEST INDUSTRY CO., LTD.

廈門燕之屋燕窩產業股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1497)

REMUNERATION AND APPRAISAL COMMITTEE UNDER THE BOARD OF DIRECTORS

TERMS OF REFERENCE

Chapter I General Provisions

Article 1 In order to improve the assessment and salary management system of directors, supervisors and senior management of Xiamen Yan Palace Bird's Nest Industry Co., Ltd. (the "Company"), and improve the corporate governance structure, the Company has set up a Remuneration and Appraisal Committee (the "Remuneration and Appraisal Committee") of the Board of Directors and formulated these terms of reference in accordance with the Company Law of the People's Republic of China (the "Company Law"), the Articles of Association of Xiamen Yan Palace Bird's Nest Industry Co., Ltd. (the "Articles of Association"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") and other relevant provisions.

Article 2 The Remuneration and Appraisal Committee is a special committee established by the Board of Directors, which is mainly responsible for formulating and evaluating the evaluation standards of the Company's directors, supervisors and senior management personnel, and responsible for formulating and reviewing the remuneration policies and plans of the Company's directors, supervisors and senior management, and responsible to the Board of Directors.

Article 3 The term "director" as used in these terms of reference refers to all directors who receive remuneration from the Company, "supervisor" refers to all supervisors who receive remuneration from the Company, and "senior management" refers to the senior management mentioned in the Company's prospectus, interim report or annual report (whichever is the latter). The directors of the Company shall be responsible for determining which individuals (one or more) are senior management. Senior management may include directors of subsidiaries of the Company and heads of other divisions, departments or operating units within the Group as the directors of the Company think fit.

Chapter II Personnel Composition

Article 4 The Remuneration and Appraisal Committee shall be composed of at least three directors, with the majority of independent non-executive directors.

Article 5 Members of the Remuneration and Appraisal Committee shall be nominated by the Chairman of the Board of Directors, more than half of the independent non-executive directors or one-third of all the directors, and shall be elected by the Board of Directors.

Article 6 The Remuneration and Appraisal Committee shall have a Chairman (the "Chairman"), who shall be an independent non-executive director. The Chairman is responsible for presiding over the work of the committee, and shall be appointed by the Board of Directors.

Article 7 The term of office of the Remuneration and Appraisal Committee is the same as that of the Board of Directors, and members may be re-elected after their term expires. If any member ceases to hold the office of Director of the Company during the period, he/she shall automatically lose his/her membership and the number of members shall be supplemented by the Board of Directors in accordance with these terms of reference.

Article 8 A working group is set up under the Remuneration and Appraisal Committee, which is specifically responsible for providing information about the Company's operation and the relevant information of the evaluated personnel, preparing for the meeting of the Remuneration and Appraisal Committee and implementing the relevant resolutions of the Remuneration and Appraisal Committee.

Chapter III The Secretary

Article 9 The Secretary of the Remuneration and Appraisal Committee shall be any Company Secretary or joint Company Secretary.

Article 10 The Remuneration and Appraisal Committee may from time to time appoint any other person of suitable qualifications and experience as the Secretary of the Remuneration and Appraisal Committee.

Chapter IV Duties and Powers

Article 11 Main duties and powers of the Remuneration and Appraisal Committee:

- (1) to make recommendations to the Board of Directors on the remuneration policy and structure of all directors, supervisors and senior management of the Company and on the establishment of a formal and transparent procedure for the formulation of remuneration policy;
- (2) to review and approve the remuneration proposals of the management in accordance with corporate policies and objectives established by the Board of Directors;
- (3) to recommend the remuneration of executive Directors and senior management (which should include non-pecuniary benefits, pension rights and compensation (including compensation for loss or termination of office or appointment)) to the Board of Directors;
- (4) to make recommendations to the Board of Directors on the remuneration of non-executive directors;
- (5) to make recommendations to the Board of Directors on the remuneration of supervisors;
- (6) taking into account the remuneration paid by similar companies, the time and responsibilities required and the employment conditions of other positions within the group, etc.;
- (7) to review and approve compensation payable to executive directors and senior management in respect of their loss or termination of office or appointment to ensure that such compensation is consistent with the terms of the contract; if it is not consistent with the terms of the contract, the compensation should be fair and reasonable and not excessive;

- (8) to review and approve the compensation arrangements relating to the dismissal or removal of directors for misconduct, so as to ensure that such arrangements are consistent with the contractual terms; if they are not consistent with the terms of the contract, the compensation must be reasonable and appropriate;
- (9) to ensure that no director nor any of his/her associates are involved in determining his/her own remuneration.
- (10) to evaluate the performance of the executive directors and include it in a summary of work during the year;
- (11) to review the terms of service contracts of directors and supervisors;
- (12) to review, approve and deal with matters relating to share schemes referred to in Chapter 17 of the Hong Kong Listing Rules under the responsibility of the Remuneration and Appraisal Committee (if necessary); and
- (13) other powers conferred by laws, administrative regulations, departmental rules, regulatory documents, the listing rules of the stock exchange where the Company's shares are listed (including the Hong Kong Listing Rules), the Articles of Association, and the Board of Directors.

Article 12 The Board of Directors shall have the right to veto any remuneration plan or scheme that harms the interests of shareholders.

Article 13 The Remuneration and Appraisal Committee shall consult the Chairman of the Board of Directors and/or the General Manager (CEO) regarding the remuneration recommendations of other executive directors. The Remuneration and Appraisal Committee should be able to seek independent professional advice if necessary.

Article 14 The remuneration plan of directors of the Company proposed by the Remuneration and Appraisal Committee shall, upon approval by the Board of Directors, be submitted to the general meeting for consideration and approval before it can be implemented. The remuneration distribution plan for the senior management of the Company shall be submitted to the Board of Directors for approval.

Article 15 The Remuneration and Appraisal Committee is authorized by the Board of Directors to seek any information necessary in relation to remuneration from the directors and senior management of the Company in order to perform its duties. The Remuneration and Appraisal Committee shall be provided with adequate resources to carry out its responsibilities.

Article 16 The Chairman of the Remuneration and Appraisal Committee or, in his/her absence, another member of the Remuneration and Appraisal Committee (who must be an independent non-executive Director) shall attend the annual general meeting of the Company and respond to shareholders' questions concerning the activities of the Remuneration and Appraisal Committee and their responsibilities.

Chapter V Decision Procedure

Article 17 The working group under the Remuneration and Appraisal Committee is responsible for the preparatory work for the decision-making of the Remuneration and Appraisal Committee, and provides the relevant information of the Company:

- (1) to provide the Company's main financial indicators and business objectives;
- (2) to provide the scope of work and main responsibilities of the senior management of the Company;
- (3) to provide the completion of the indicators involved in the performance evaluation system of directors and senior management;
- (4) to provide the business performance of the business innovation ability and profit-making ability of the directors and senior management;
- (5) to provide the relevant calculation basis for formulating the Company's salary distribution plan and distribution method according to the Company's performance.

Article 18 The evaluation procedures for the directors and senior management of the Remuneration and Appraisal Committee:

- (1) the Company's directors and senior management make a presentation and self-evaluation to the Remuneration and Appraisal Committee of the Board of Directors;
- (2) the Remuneration and Appraisal Committee shall evaluate the performance of directors and senior management according to the performance evaluation standards and procedures;
- (3) propose the amount of remuneration and reward methods of the directors and senior management according to the results of post performance evaluation and remuneration distribution policy and report to the Company's Board of Directors after voting.

Chapter VI Rules of Procedure

Article 19 The Remuneration and Appraisal Committee members shall convene meetings at least once a year. Any member of the Remuneration and Appraisal Committee may request a meeting.

Article 20 The meeting of the Remuneration and Appraisal Committee shall be notified to all members three days before the meeting, and the meeting shall be presided over by the Chairman, who may entrust another member (who should be an independent non-executive director) of the Remuneration and Appraisal Committee to preside if he/she is unable to attend. The aforesaid notice period may be waived with the unanimous consent of all members. Notwithstanding the notice period, the presence of a member of the Remuneration and Appraisal Committee at a meeting will be deemed a waiver of the required notice period for that member.

Article 21 The meeting of the Remuneration and Appraisal Committee shall be held only with the attendance of more than two-thirds of its members. Each member shall have one vote. Resolutions made at the meeting must be adopted by more than half of all the members.

Article 22 The meeting of the Remuneration and Appraisal Committee may be convened in person, by telephone or video conference. The meeting can be attended by telephone or similar communication devices through which all participants should be able to hear each other. A resolution of the Remuneration and Appraisal Committee, if made at a meeting, shall be passed by more than half of the members of the Remuneration and Appraisal Committee present.

Article 23 A resolution signed by all members of the Remuneration and Appraisal Committee shall be as valid as if it had been passed at a meeting duly convened by the Remuneration and Appraisal Committee.

Article 24 Directors, supervisors and senior management of the Company may also be invited to attend the meetings of the Remuneration and Appraisal Committee when necessary. However, only members of the Remuneration and Appraisal Committee are entitled to vote at the meeting of the Remuneration and Appraisal Committee.

Article 25 If necessary, the Remuneration and Appraisal Committee may hire an intermediary institution to provide professional advice for its decision-making at the expense of the Company.

Article 26 When the Remuneration and Appraisal Committee meets to discuss the issues related to the members of the committee, the members shall withdraw.

Article 27 The procedures for convening the meeting of the Remuneration and Appraisal Committee, the voting method, the remuneration policy and distribution plan adopted at the meetings must comply with the provisions of relevant laws, regulations, the Hong Kong Listing Rules, the Articles of Association and these terms of reference.

Article 28 Minutes shall be kept for the meetings of the Remuneration and Appraisal Committee, and the members present at the meetings shall sign the minutes. Minutes are kept by the Secretary of the Board of Directors or the Secretary of the Remuneration and Appraisal Committee of the Company for the review of each director. The first draft and the final version of the minutes shall be sent to all members of the Remuneration and Appraisal Committee within a reasonable time after the meeting, with the first draft for members to express their views and the final version for their records.

Article 29 The proposals and voting results adopted by the Remuneration and Appraisal Committee shall be reported to the Board of Directors of the Company in writing.

Article 30 Members present at the meeting shall have the obligation to keep confidential the items discussed at the meeting and shall not disclose the relevant information without authorization.

Chapter VII Supplementary Provisions

Article 31 After being approved by the resolution of the Board of Directors, these terms of reference shall come into force and be implemented.

Article 32 Matters not covered in these terms of reference shall be implemented in accordance with relevant laws and regulations, the Hong Kong Listing Rules, other provisions of the Hong Kong securities regulatory authority and the relevant provisions of the Articles of Association. If the relevant provisions of these terms of reference conflict with the relevant laws and regulations promulgated or amended in the future, the Hong Kong Listing Rules, other provisions of the Hong Kong securities regulatory authority and the Articles of Association, they shall be executed in accordance with the relevant laws and regulations, the Hong Kong Listing Rules, other provisions of the Hong Kong securities regulatory authority, the current Articles of Association or the amended Articles of Association.

Article 33 The power of interpretation of these terms of reference shall be vested in the Board of Directors of the Company.

Article 34 In case of any discrepancy between the Chinese and English versions of these terms of reference, the Chinese version shall prevail.