

# 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

#### 第一章 總則

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" Directo5

A 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.

A 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.

### C a III T S a

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

A 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.

### C a IV D a P

A 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 (which should include non-pecuniary benefits, pension rights and compensation (including compensation for loss or termination of office or appointment)) in the light of the corporate policies and objectives established by the Board of Directors;
- (3) to examine and recommend the terms of specific remuneration packages for executive directors and senior management;
- (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 relevant powers and duties set out in the relevant code provisions of the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules (as amended from time to time)), the Articles of Association, and the Board of Directors.

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

**A** **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.

**A** **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.

**A** **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.

**A** **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.

## C a V D P

**A 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.

**A 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.

## C a VI R P

**A 19**

A 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.

A 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.

A 24 Directors, supervisors and senior management of the Company may also be

## Chapter VII Supplementary Provisions

**Article 31** After being approved by the Board of Directors, these terms of reference shall come into force and be implemented as of the date when the Company is listed overseas through the initial public offering of H shares and listed for trading on The Stock Exchange of Hong Kong Limited. As of the effective date of these terms of reference, the terms of reference of the Remuneration and Appraisal Committee of the Board of Directors of the Company in force shall automatically become invalid.

**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.