

SHANGHAI FOREST CABIN COSMETICS GROUP CO., LTD.

TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS

CHAPTER I GENERAL PROVISIONS

Article 1 In order to further establish a sound remuneration management system for directors and senior management of the Company and improve its corporate governance structure, the Company has established the Remuneration 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Listing Rules"), the Articles of Association of Shanghai Forest Cabin Cosmetics Group Co., Ltd. (hereinafter referred to as the "Articles of Association") and other relevant regulations.

Article 2 The Remuneration Committee (i.e. the Remuneration Committee under the Hong Kong Listing Rules) is a specialized working body established by the board of directors, primarily responsible for formulating and reviewing the remuneration policies and proposals of the directors and senior management of the Company, and shall be accountable to the board of directors.

Article 3 Directors referred herein refer to the chairman of the board of directors and directors who receive remuneration from the Company; and senior management refers to the general manager, the deputy general manager, chief financial officer, the secretary of the board of directors and other senior management personnel specified in the Articles of Association engaged by the board of directors.

Article 4 The provisions of the Company Law, the Hong Kong Listing Rules and the Articles of Association in relation to the obligations of the directors shall apply to members of the Remuneration Committee.

CHAPTER II COMPOSITION

Article 5 The Remuneration Committee shall comprise at least three directors, the majority of which shall be independent non-executive directors.

Article 6 The members of the Remuneration Committee shall be nominated by the chairman of the board of directors, more than half of the independent non-executive directors, or more than one-third of all directors, and elected by the board of directors.

Article 7 The Remuneration Committee shall have one chairperson acting as the convener who shall be an independent non-executive director, responsible for chairing the Committee. The chairperson shall be elected by the members of the committee and appointed upon approval by the board of directors.

Article 8 The term of office of the Remuneration Committee shall be consistent with those of the board of directors, and a member may be re-elected upon the expiration of his/her terms. If any member ceases to serve as a director of the Company during the term, he/she shall cease to be the member automatically, and the Committee shall then replenish the membership in accordance with the provisions of Articles 5 to 7 above.

Article 9 The Remuneration Committee may establish a working group dedicated in providing relevant business information of the Company and materials relating to the appraisees, arranging meetings of the Committee and implementing relevant resolutions adopted by the Committee.

CHAPTER III DUTIES AND AUTHORITIES

Article 10 The main duties and authorities of the Remuneration Committee shall be as follows:

- (I) to formulate remuneration policies and structures as well as remuneration plans or proposals based on the major scope, responsibilities and importance of the management positions of directors (including independent non-executive directors) and senior management; to make recommendations to the board of directors on the establishment of a formal and transparent procedure for developing remuneration policies; remuneration plans or proposals mainly including but not limited to, performance appraisal standards, procedures as well as the major award and penalty plan and system;
- (II) to review, formulate and/or approve the share incentive scheme for the directors (including independent non-executive directors), senior management and other relevant parties of the Company in accordance with relevant laws, administrative regulations, departmental rules, normative documents and the listing rules of the stock exchange where the shares of the Company are listed (including matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules);
- (III) to be responsible for the administration of share schemes, including but not limited to reviewing the eligibility of participants, conditions of grant and conditions of exercise of the share incentive schemes;
- (IV) to review the performance of duties by directors (including independent non-executive directors) and senior management of the Company and conduct annual performance appraisals on them;
- (V) to supervise the implementation of the remuneration system;
- (VI) to review and approve management's remuneration recommendations with reference to the goals and objectives set by the board of directors;

- (VII) to make recommendations to the board of directors on the Company's overall performance appraisal and policy and structure for remuneration of directors and senior management, as well as the establishment of a formal and transparent procedure for developing remuneration policy;
- (VIII) to make recommendations to the board of directors on the individual remuneration packages of executive directors and senior management, which include benefits in kind, pension rights and compensation payments (including any compensation payable for the loss or termination of their office or appointment);
- (IX) to make recommendations to the board of directors on the remuneration of non-executive directors;
- (X) to consider the remuneration paid by comparable companies, time commitment and responsibilities and employment conditions for other positions within the Group;
- (XI) to review and approve the compensation payable to executive directors and senior management for the loss or termination of office or appointment to ensure that such compensation is consistent with contractual terms and is otherwise fair, reasonable and not excessive;
- (XII) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate;
- (XIII) to ensure that no director or any of their associates (as defined in Hong Kong Listing Rules) is involved in determining their own remuneration;
- (XIV) to review the performance of duties by the directors (including independent non-executive directors) and senior management of the Company and conduct annual performance appraisals on them;
- (XV) to supervise the implementation of the Company's remuneration system;
- (XVI) to assume other duties as required by the provisions of laws, administrative regulations, departmental rules, normative documents, the listing rules of the stock exchange where the shares of the Company are listed (including the relevant authorities and duties as stipulated in the relevant code provisions of the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules (as amended from time to time)) and the Articles of Association, and other duties and powers delegated by the board of directors. The Committee shall also report to the board of directors on matters within the scope of its duties and authorities (including decisions or recommendations made by the Committee).

Article 11 The board of directors shall have the right to reject any remuneration plan (proposal) and share incentive scheme which is prejudicial to the interests of the shareholders.

Article 12 The remuneration plans and share incentive schemes for directors of the Company proposed by the Remuneration Committee shall be submitted to and approved by the board of directors before being approved at the general meeting. The remuneration proposal for senior management of the Company shall be submitted to the board of directors for approval.

CHAPTER IV DECISION-MAKING PROCEDURES

Article 13 The working group under the Remuneration Committee shall be responsible for the preliminary preparatory works for the decision-making procedures of the Remuneration Committee and shall provide the following relevant information of the Company:

- (I) major financial indicators and fulfillment of business objectives of the Company;
- (II) scope of responsibility and performance of major duties of the senior management of the Company;
- (III) fulfillment of indicators under the performance appraisal system for the directors and senior management;
- (IV) operational performance of directors and senior management based on their business innovation capabilities and profit-making capabilities;
- (V) the relevant calculation basis for the formulation of remuneration distribution plans and distribution methods based on the results of the Company.

CHAPTER V MEETING PROCEDURES

Article 14 The Remuneration Committee shall hold at least one regular meeting every year and give five days' notice to all members prior to the meeting. The meeting shall be presided over by the chairperson. If the chairperson is unable to attend the meeting, another member may be appointed to preside over the meeting.

If the chairperson of the Remuneration Committee neither performs his/her duties nor designates another member to perform his/her duties on his/her behalf, any member may report the relevant situation to the board of directors, and the board of directors shall designate a member to perform the duties of the chairperson of the Remuneration Committee.

An extraordinary meeting shall be proposed by the members of the Remuneration Committee, and notice of an extraordinary meeting shall be given to all members three days before it is convened. Notice may be given at any time in case of emergency.

Article 15 The quorum for meetings of the Remuneration Committee shall be at least two-thirds of the total members of the Committee. Members of the Remuneration Committee may attend the meeting in person or appoint other members in writing to attend the meeting and exercise their voting rights on their behalf.

If a member of the Remuneration Committee authorizes another member to attend the meeting and exercise the voting rights on his/her behalf, he/she shall submit a power of attorney to the chairperson of the meeting, which shall specify the scope of authorization. The power of attorney shall be delivered to the chairperson of the meeting no later than the time of voting at the meeting.

If a member of the Remuneration Committee neither attends the meeting in person nor authorizes another member to attend the meeting on his/her behalf, he/she is deemed to be absent from such meeting.

If any member of the Remuneration Committee fails to attend two consecutive meetings, he/she shall be deemed to fail to duly perform his/her duties and powers, and the board of directors of the Company may revoke his/her membership.

Article 16 Voting of the Remuneration Committee shall be conducted either by a show of hands or by poll. Voting at an extraordinary meeting may be conducted by means of correspondence.

Each member shall have one vote. Resolutions made at the meeting shall be passed by more than half of all members of the Committee.

Meetings of the Remuneration Committee may be convened in the form of written resolutions. A written proposal shall be served by facsimile, courier or by hand or by other means to all members. After the members have casted votes on the proposal, the original copies shall be returned to the Company for filing. A proposal signed by consenting members satisfying the number of votes required hereunder shall become an effective resolution of the Committee.

Article 17 When necessary, the directors and senior management of the Company may be invited to present the meetings of the Remuneration Committee.

Article 18 The Remuneration Committee shall consult the chairperson of the board of directors and/or the chief executive officer on the remuneration proposals for other executive directors. If necessary, the Remuneration Committee may engage an intermediary to provide professional opinions for its decision-making, at the Company's expense.

Article 19 Where a member becomes the subject of a discussion at the meeting of the Remuneration Committee, such member shall be absent from the discussion.

Where the number of members attending the meeting is less than the quorum specified in these terms of reference after the interested members abstain from voting, all members (including the interested members) shall resolve on procedural issues including submitting the proposal to the board of directors of the Company for consideration. Such proposal shall be considered by the board of directors of the Company.

Article 20 The procedures for convening meetings of the Remuneration Committee, the voting methods employed, and the remuneration policies and distribution plans adopted at such meetings shall comply with the provisions of relevant laws, regulations, the listing rules of the stock exchange where the shares of the Company are listed, the Articles of Association and these terms of reference.

Article 21 Minutes of the Remuneration Committee shall be kept in written, which shall record in sufficient detail the matters considered and resolutions passed at the meetings, including any doubts or objections raised by members. The draft and final version of the minutes shall be sent to all members of the Committee within a reasonable time after the meeting, with the draft for members to express their opinions and the final version for record. Each member shall review and confirm the minutes, and the members attending the meeting and the minute taker shall sign the minutes. Members present at the meeting shall have the right to request inclusion of explanations in the minutes regarding the views they expressed at the meeting. If a member of the Committee has any comments or objections regarding the minutes, he/she may choose not to sign but shall submit his/her written opinions to the secretary of the board of directors within the timeframe stipulated above. If the errors or omissions in the records are confirmed to be true, the secretary of the board of directors shall make corrections, and the members of the Committee shall sign the revised minutes.

The minutes of the Remuneration Committee are maintained as company records by the secretary of the board of directors for 10 years during the existence of the Company.

Article 22 Resolutions passed and voting results at a meeting of the Remuneration Committee shall be reported in writing to the board of directors of the Company.

Article 23 Members present at a meeting shall keep all matters discussed at the meeting confidential and shall not disclose such information without authorization.

CHAPTER VI ABSTENTION FROM VOTING

Article 24 When a member of the Remuneration Committee has an interest of conflict, directly or indirectly, in respect of any matter discussed at the meeting, such member shall abstain from voting on the relevant proposals.

Where the number of members attending the meeting is less than the quorum specified in these terms of reference after the interested members abstain from voting, all members (including the interested members) shall resolve on procedural issues including submitting the proposal to the board of directors of the Company for consideration. Such proposal shall be considered by the board of directors of the Company.

CHAPTER VII SUPPLEMENTARY PROVISIONS

Article 25 These terms of reference and any amendments hereto have been considered and approved by the board of directors and shall take effect from the date of the initial public offering of H Shares of the Company and its listing on The Stock Exchange of Hong Kong Limited.

Article 26 Matters not covered in these terms of reference shall be conducted in accordance with the provisions of the relevant laws and regulations of the PRC, the listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association. In case of any conflict between these terms of reference and any laws and regulations promulgated by the PRC from time to time, the listing rules of the stock exchange where the shares of the Company are listed or the Articles of Association as amended through lawful procedures, the relevant laws and regulations of the PRC, the listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association shall prevail. These terms of reference shall be revised forthwith and submitted to the board of directors for consideration and approval.

Article 27 These terms of reference shall be interpreted by the board of directors of the Company.

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