

**CHINA TRADITIONAL CHINESE MEDICINE HOLDINGS
CO. LIMITED**

中國中藥控股有限公司

**TERMS OF REFERENCE OF
REMUNERATION
COMMITTEE**

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中國中藥控股有限公司

Terms of Reference of Remuneration Committee

Formation

1. The remuneration committee (“the Committee”) was formed pursuant to the board resolution of CHINA TRADITIONAL CHINESE MEDICINE HOLDINGS CO. LIMITED (“the Company”) passed on 31st January, 2005.

Composition and Quorum

2. The Committee shall be appointed by the board of directors of the Company amongst the non-executive directors and executive directors of the Company. A majority of the Committee members should be independent non-executive directors.

Members : The Committee shall consist of not less than 4 members.

Quorum : 2

3. The Chairman of the Committee shall be appointed by the board and should be an independent non-executive director.
4. The meetings and proceedings are governed by the provisions contained in the articles of association of the Company for regulating meetings and proceedings of directors.

Authority

5. The Committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
6. The Committee is authorised by the board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties

7. The duties of the Committee shall be:-
 - (a) to make recommendations to the board on the Company’s policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- (b) to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives;
- (c) to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (d) reviewing and approving performance-based remuneration by reference to corporate goals and objectives determined by the Board from time to time;
- (e) to review and assess the performance of executive directors of the Company during the relevant financial year, so as to determine the amount of bonus (if any) payment;
- (f) to determine the time of bonus payment;
- (g) to make recommendations to the board on the remuneration of non-executive directors;
- (h) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- (i) to review and approve the compensation payable to executive directors and senior management for any loss or termination of their office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (j) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (k) to ensure that no director or any of his associates is involved in deciding his own remuneration;
- (l) to consider the granting of share options to directors of the Company pursuant to the share option scheme adopted by the Company;
- (m) to ensure the relevant director complying with the disclosure obligations in respect of remuneration under the Listing Rules, Companies Ordinances and other laws;
- (n) to review and recommend to the board in respect of the pension arrangements for directors and senior management;
- (o) to report to the board in respect of the expense which is unreasonably incurred by directors and the irregular situations which maybe occurred;

- (p) to review interim reports, annual reports, announcements and circulars or publications of the Company which contain information relating to remuneration and service contracts of directors;
- (q) to consult the chairman and/or the chief executive about their remuneration proposals for executive directors. If the Committee considers necessary, it may appoint external legal, financial or other professional advisors to assist the Committee or give advice to the Committee;
- (r) to meet with any resigned director and senior management to find out the reasons of their resignation; and
- (s) to consider other topics as defined by the board.

Note: In this terms of reference, “senior management” should refer to the same persons referred to in the Company’s annual report.

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Effective date of revision: 2 November 2018