



BEIJING YU SHENG TANG PHARMACEUTICAL GROUP LIMITED

北京御生堂藥業集團有限公司*

(Incorporated in Bermuda with limited liability)

(the “Company”)

(Stock Code: 1141)

**REMUNERATION COMMITTEE
TERMS OF REFERENCE**

1. Constitution

The Board of Directors of the Company (the “Board”) had resolved to establish a committee known as the “Remuneration Committee”.

2. Membership

- 2.1 Members of the Remuneration Committee shall be appointed by the Board.
- 2.2 The majority of the members of the Remuneration Committee shall be independent non-executive directors.
- 2.3 The chairman of the Remuneration Committee shall be appointed by the Board and should be an independent non-executive director.

3. Secretary

- 3.1 The Company Secretary of the Company shall act as the secretary of the Remuneration Committee.
- 3.2 The Remuneration Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Remuneration Committee.

4. Quorum

The quorum necessary for the transaction of business of the Remuneration Committee shall be two members of the Committee, one of whom must be an independent non-executive director.

5. Frequency of meetings

The Remuneration Committee shall meet at least once a year.

6. Proceedings at meetings

Unless otherwise specifically provided for in this terms of reference, all of the provisions of the Bye-laws of the Company regulating meetings and proceedings of the Board shall, mutatis mutandis, govern the meetings and proceeding of the Remuneration Committee.

* For identification purpose only

7. Authorities

- 7.1 The Remuneration Committee shall consult the chairman of the Board and/or the chief executive officer of the Company about their remuneration proposals for other executive directors and senior management.
- 7.2 The Remuneration Committee is authorized by the Board to seek any information it requires from senior management of the Company in order to perform its duties.
- 7.3 The Remuneration Committee is authorized by the Board where necessary to have access to independent professional advice.
- 7.4 The Remuneration Committee shall be provided with sufficient resources to discharge its duties.

8. Duties

The Remuneration Committee shall have the following responsibilities, powers and discretion:

- 8.1 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;
- 8.2 to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- 8.3 to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- 8.4 to make recommendations to the Board on the remuneration of non-executive directors;
- 8.5 to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions in members of the Company;
- 8.6 to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- 8.7 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; and
- 8.8 to ensure that no director or any of his associates is involved in deciding his own remuneration.

9. Reporting Procedures

The secretary shall circulate the minutes of the meetings of the Remuneration Committee to all members of the Board.

Note: In case of discrepancies or inconsistencies between the English version and the Chinese version of this terms of reference, the English version shall prevail.