

YiChang HEC ChangJiang Pharmaceutical Co., Ltd.
宜昌東陽光長江藥業股份有限公司

**Terms of Reference of
the Remuneration and Assessment Committee
of the Board of Directors of the Company (the “Board”)**

Adopted on 6 December 2015

Chapter 1 General Provisions

1 In order to establish a sound administration system of remuneration, appraisal and assessment for directors and senior management of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (the “Company”), and pursuant to the *Company Law of the People’s Republic of China*, *Code of Corporate Governance for Listed Companies*, *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the “Listing Rules”), and the Articles of Association of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (the “Articles of Association”) and other relevant regulations, the Company has set up the Remuneration and Assessment Committee of the Board and formulated these terms of reference (the “Terms”).

2 The Remuneration and Assessment Committee is a specific working body set up by the Board in accordance with the Articles of Association. Its main responsibilities are to study the appraising criteria for directors and senior management, conduct appraisals and raise proposals; to study and formulate remuneration plans for directors and senior management, advise the Board and supervise the implementation of the remuneration plans.

3 The Remuneration and Assessment Committee shall be responsible to the Board of Directors and report its work to the Board.

Chapter 2 Composition

4 The Remuneration and Assessment Committee shall comprise no less than three directors, the majority of whom shall be independent non-executive directors of the Company.

5 The members of the Remuneration and Assessment Committee shall be elected by the Board, with reference to the recommendations put forward by the Nomination Committee based on the nomination by the Chairman of the Board and taking into consideration of the director’s expertise and expectation as well as the needs of the Board.

6 The Remuneration and Assessment Committee shall have a chairman who shall be an independent non-executive director. The chairman of the Remuneration and Assessment Committee shall be responsible for leading the work of the Remuneration and Assessment Committee. Where the chairman cannot perform his/her duties, another member who is an independent non-executive director shall be appointed to perform duties on his/her behalf. If no such member is appointed by the chairman, an independent non-executive director shall be elected by more than half of the members of the Remuneration and Assessment Committee to act as chairman. The chairman of the Remuneration and Assessment Committee shall be elected from the members and be reported to the Board for approval.

7 The term of office of the Remuneration and Assessment Committee shall be the same as that of the Board. A member may serve consecutive terms if re-elected upon expiry of his/her term. If any member no longer holds the position as director of the Company, he/she shall automatically lose his/her position as committee member, and the vacancy shall be filled by the Board in accordance with the provisions of Articles 4 to 6 above.

8 The Remuneration and Assessment Committee could have a secretary to assist with the work of the Remuneration and Assessment Committee. The human resource department of the Company and its department head or other departments or personnel of the Company designated by the Remuneration and Assessment Committee from time to time shall undertake the relevant work of the secretary of the Remuneration and Assessment Committee.

The secretary of the Remuneration and Assessment Committee shall be responsible for collecting and providing information in relation to remuneration policies, performance evaluation and appraisal for directors and senior management of peer companies and providing advices to the Remuneration and Assessment Committee. The secretary shall also be responsible for the preparation of relevant meeting documents.

Chapter 3 Duties and Authorities

9 The main duties and authorities of the Remuneration and Assessment Committee include:

- (1) To advise the Board on the general remuneration policy and structure of all directors and senior management and on the establishment of formal and transparent procedures for developing such remuneration policy;
- (2) To review and approve the management's remuneration plans with reference to the Board's corporate goals and objectives;
- (3) Either:
 - (i) To determine, with responsibility delegated by the board, the remuneration packages of individual executive directors and senior management; or
 - (ii) To advise the Board on 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);
- (4) To advise the Board on the remuneration of non-executive directors;
- (5) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (6) To review and approve compensation payable to executive directors and senior management for any loss or termination of officer or appointment to ensure that it is consistent with contractual terms or is otherwise fair and not excessive;
- (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 or are otherwise reasonable and appropriate;
- (8) To ensure that no director or any of his/her associates is involved in deciding his/her own remuneration; and
- (9) Other matters authorized by the Board.

10 The remuneration plans for directors of the Company proposed by the Remuneration and Assessment Committee shall first be approved by the Board and then be submitted to the shareholders' general meeting for consideration and approval before they can be implemented, while remuneration plans for senior management are required to be reported to the Board for consideration and approval. The remuneration plans proposed by the Remuneration and Assessment Committee shall not impair shareholders' interests.

11 When the Remuneration and Assessment Committee conducts an appraisal on senior management, the secretary to the Remuneration and Assessment Committee shall provide the following data, including but not limited to:

- (1) Status of achievement of major financial indicators and operating goals of the Company;
- (2) Scope of work and performance of main duties of senior management;
- (3) Status of target achievement in relation to the work performance appraisal system of senior management;
- (4) Remuneration plans for senior management and the basis for such plans.

Chapter 4 Rules of Procedures for Meetings

12 Regular meetings of the Remuneration and Assessment Committee shall be held at least once a year and in principle be held during the regular meetings convened by the Board. A notice of meeting shall be given to all members at least three days prior to the meeting, but such notice period can be waived by unanimous consent of all members.

13 The chairman of the Remuneration and Assessment Committee or more than half of the members of the Remuneration and Assessment Committee may propose to convene an extraordinary meeting. A notice of extraordinary meeting shall be given to all members at least five days prior to the meeting, but such notice period can be waived by unanimous consent of all members.

14 The members shall attend the meeting in a serious and responsible manner and clearly express their views on the proposals considered. In case a member is unable to attend the meeting of the Remuneration and Assessment Committee in person, he/she shall appoint another member in writing as a proxy to vote on his/her behalf and the member giving the proxy shall bear legal responsibility independently.

The power of attorney shall state the name of such proxy, the relevant matters, scope of authorization and validity period, and shall be signed by the appointer or a chop shall be affixed. The member attending a meeting on behalf of other members shall produce such power of attorney and exercise the rights within the scope of authorization.

15 If a member of the Remuneration and Assessment Committee fails to attend meetings in person consecutively for two times where such member also fails to appoint other members to attend on his/her behalf, such member shall be deemed as failure to perform his/her duties. The Remuneration and Assessment Committee shall propose to the Board to remove such member.

16 The meetings of the Remuneration and Assessment Committee can only be held when at least half of its members are present. The meetings shall be held by way of physical meetings in principle, however may be held by way of telecommunication or by way of written resolution provided that the members are able to freely express their views and the procedures are in compliance to relevant regulatory requirements.

By way of telecommunication means more than half of the members attend the meeting via telephone, video or other means of communications; by way of written resolution means the members considering and approving the resolution sent to each member separately or circulated to each member.

17 All meetings shall be chaired by the chairman of the Remuneration and Assessment Committee. The chairman of the Remuneration and Assessment Committee may appoint another member who is an independent non-executive director to chair the meeting if he is not able to attend the meeting.

18 The Remuneration and Assessment Committee shall vote by a show of hands or by a poll, and each member is entitled to one vote. Approval of any resolution at a Remuneration and Assessment Committee meeting shall require one-half or more of the votes.

19 Directors and other senior management of the Company who are not members of the Remuneration and Assessment Committee may be invited to attend such meetings if necessary.

20 Where a meeting of the Remuneration and Assessment Committee is convened to review the performance or to evaluate the remuneration of an individual director or senior management, such person shall be abstained from the meeting.

21 Minutes of meetings of the Remuneration and Assessment Committee shall be kept by the office of the Board or other department designated by the Board to record in detail the matters considered and decisions made by the Remuneration and Assessment Committee over the meeting. Attending members shall have rights to request to add explanatory notes to their speeches in the minutes, including any concerns raised or dissenting views expressed by members. Draft version of minutes of meetings of the Remuneration and Assessment Committee shall be sent by the office of the Board or other department designated by the Board to all members of the Remuneration and Assessment Committee for their comment within a reasonable time after the meeting. Draft versions of minutes are for members to review and final versions of minutes will be sent to all directors. Minutes shall be signed by members of the Remuneration and Assessment Committee attending the meeting. Minutes of the meeting shall be kept in the office of the Board or other department designated by the Board as an archive of the Company.

22 Resolution and the voting result passed at the meeting of the Remuneration and Assessment Committee shall be reported in writing to the Board.

23 Members of the Remuneration and Assessment Committee and other persons present at a meeting shall be obliged to keep all matters discussed at such meeting confidential, and shall not disclose any relevant information without authorization.

24 The Remuneration and Assessment Committee shall consult chairman of the Board and/or Managing Director in making recommendation on remuneration plans for other executive directors. The Remuneration and Assessment Committee may consult external experts and intermediaries for independent professional advice on its decisions if necessary, and the Company shall bear costs incurred.

25 The office of the Board or other department designated by the Board shall be responsible for submitting proposals, organizing meetings, overseeing the implementation and feedback of the resolutions of the Remuneration and Assessment Committee, liaising and coordinating with the Remuneration and Assessment Committee and the secretary. The Remuneration and Assessment Committee shall be provided with sufficient resources to perform its duties and the relevant departments of the Company shall cooperate accordingly.

26 The Remuneration and Assessment Committee shall make its terms of reference publically available, explaining its role and the authority delegated to it by the Board.

Chapter 5 Supplementary Provisions

27 In these Terms, the scope “above” a number shall include the number itself while the scope “more than” a number shall exclude the number itself.

28 These Terms are passed by the Board and shall be effective and put in use from the date on which overseas-listed foreign shares (H Shares) of the Company were listed on The Stock Exchange of Hong Kong Limited.

29 Any matters not covered by these Terms or in any event that these Terms contravene any laws, regulations, rules, regulatory documents, rules governing the listing of securities on the listing place of the shares of the Company or the Articles of Association, the laws, regulations, rules, regulatory documents, rules governing the listing of securities on the listing place of the shares of the Company and the Articles of Association shall prevail.

30 The power of interpretation of these Terms shall be vested in the Board.

These Terms of Reference are written in Chinese. If there is any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.