



WAI YUEN TONG MEDICINE HOLDINGS LIMITED

(位元堂藥業控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

**TERMS OF REFERENCE
OF
REMUNERATION COMMITTEE**

1. Constitution

- 1.1 The remuneration committee (the “**Committee**”) of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) is a committee of the board of directors of the Company (the “**Board**”).

2. Membership

- 2.1 The Committee shall consist of at least three directors with a majority of the independent non-executive directors of the Company (the “**INEDs**”) appointed by the Board.
- 2.2 The Committee should be chaired by any one INED as nominated by the Board amongst the Committee members.
- 2.3 The company secretary of the Company or as otherwise determined by the Board, shall act as the secretary of the Committee.

3. Proceedings of the meetings

- 3.1 A quorum of a meeting shall be three members of the Committee, two of whom must be the INEDs.
- 3.2 Other Board members, apart from the Committee members, have the right to attend any Committee meetings, though they shall not be counted in the quorum.
- 3.3 A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the members of the Committee.
- 3.4 Proceedings of meetings of the Committee shall be governed by the provisions of the bye-laws of the Company (the “**Bye-laws**”).

** For identification purpose only*

4. Frequency of meetings

- 4.1 The Committee shall meet at least once every year and the Committee members may call any meetings at any time when necessary.

5. Authority

- 5.1 The Committee is authorised by the Board to seek any necessary information which is within the Committee's scope of duties from the employees.
- 5.2 The Committee shall be provided with sufficient resources to discharge its duties and is authorised by the Board to obtain outside independent professional advice, and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
- 5.3 The Committee shall be provided with adequate information in a timely manner to enable it to make informed decisions.
- 5.4 The Committee is authorised to do any such things to enable the Committee to properly discharge its powers and functions.

6. Duties, roles and functions

The duties of the Committee are:

- (a) to make recommendations to the Board on the Company's policy and structure for all directors and senior management^(Note) remuneration and on the establishment of a formal and transparent procedure for developing a remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management^(Note), including, but not limited to, benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment;
- (d) to make recommendations to the Board on the remuneration of non-executive directors;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (f) to review and approve compensation payable to executive directors and senior management^(Note) 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;

- (g) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they consistent with contractual terms and are otherwise reasonable and appropriate;
- (h) to ensure that no director or any of his associate is involved in deciding his own remuneration;
- (i) to advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under Rule 13.68 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (j) conform to any requirements, direction, and regulation that may from time to time prescribed by the Board, the Bye-laws or any other applicable laws and regulations; and
- (k) the chairman or another member of the Committee shall attend the Company's annual general meetings and be prepared to respond to questions raised by shareholders on the Committee's activities and responsibilities.

7. **Reporting Procedure**

- 7.1 The Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting or the passing of any written resolution(s) of the Committee, the Chairman shall report such findings and recommendations of the Committee to the Board.

Note: "senior management" shall refer to the same persons referred to in the Company's annual report and is required to be disclosed under paragraph 12 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

March 2012