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GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS COMPANY LIMITED IMPLEMENTING REGULATIONS FOR THE NOMINATION AND REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS

(Amended and approved by the Company at the 27th meeting of the fifth session of the board of directors on 26 September 2013)

CHAPTER 1 GENERAL PRINCIPLES

Article 1 In order to enhance the management structure, standardize the nomination, production and examination procedures of directors, senior management and establish a management system for the nomination, examination and remuneration of the directors and senior management, Guangzhou Baiyunshan Pharmaceutical Holding Company Limited (the “Company”) has transformed the Salary and Examination Committee to the Nomination and Remuneration Committee (the “Committee”), and formulated these Implementing Regulations for the Committee (the “Rules”), which are in accordance with the Company Law of the People’s Republic of China, the Guidelines for the Governance of Listed Companies (the “Guidelines”), the respective applicable rules of the stock exchanges on which the shares of the Company are listed (hereinafter referred to as “Listing Rules”), the Articles of Association of the Company (the “Articles”) and other relevant regulations.

Article 2 The Committee is a functional committee established by the board of directors (the “Board”), and is accountable to the Board. It is mainly responsible for:

- (1) to review and make recommendations on the election standards and procedures of directors, general managers and other senior management;
- (2) to broadly search qualified candidates for directors and senior management, and examine and make recommendations on them;
- (3) to review the examination standards for directors and senior management, perform examination and make recommendations;
- (4) to review and scrutinize the remuneration policies and proposals of directors and senior management.

CHAPTER 2 COMPOSITION

Article 3 The Committee shall comprise of five directors, of which three are independent non-executive directors. The Committee members shall be nominated by the Board.

Article 4 The chairman of the Committee shall be an independent non-executive director and direct the works of the Committee.

Article 5 The term of office of the Committee members is 3 years which shall commence and end at the same of office as the existing director. The Committee members are eligible for re-nomination upon the expiration of their term of office.

A committee member will lose the qualification to be the member if he/she is no longer as a director during the term of office and the Board shall appoint members to complement the numbers of members as required by Articles 3 and 4 above.

Article 6 A working team comprising senior management and the head of the human resources department shall be set up as a daily operational office of the Committee.

The working team is mainly responsible for providing relevant information, preparing meetings and daily liaising work of the Committee, and executing relevant resolutions of the Committee.

CHAPTER 3 RESPONSIBILITY AND AUTHORITY

Article 7 The major powers and duties of the Committee include the following:

1. Nomination:

- (1) to review the structure, the number of the members and the diversity of members (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least once a year, and make recommendations to the Board on the changes made for coordinating the Company's corporate strategy;
- (2) to consider and make recommendations on the election standards and procedures of directors, general manager and other senior management;
- (3) to identify suitably qualified candidates of directors and senior management, examine them and make recommendations to the Board on their entrustment/employment;
- (4) to make recommendations to the Board on the plan of new appointment and re-appointment of the directors and senior management (in particular the chairman and the general manager);
- (5) to appraise the Board Diversity Policy in appropriate situation and evaluate the progress made towards achieving measurable objectives which is set for implementing this Policy;
- (6) to appraise the senior management and making recommendations to the Board on the appointment and removal of those staff;

- (7) to appraise the independence of the independent non-executive directors; and
- (8) to consider other matters as prescribed by applicable laws, regulations, the Listing Rules and the Articles and as authorized by the Board.

2. Remuneration:

- (1) to make recommendations to the Board on the issuer's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (2) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board;
- (3) to guide the Company to construct a reasonable remuneration standard and system, so as to perfect and improve the remuneration system, and realize the effectiveness and fairness of the motivation mechanism;
- (4) to monitor the execution of the remuneration system of the Company;
- (5) to study and examine the detailed proposals of long-term implementation of the motivation mechanism, which includes the management methods and implementation rules of the remuneration structure, standard, long-term (equity) motivational fund for the director and other senior management by complying with the principles of being fair, impartial and reasonable;
- (6) to appraise and make recommendations on the targets being motivated in long-term regularly, and judge whether they are able to achieve the pre-set performance goal or not. The appraisal results shall serve as standards of whether the Company shall implement the long-term motivation mechanism or not;
- (7) to consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group, make recommendations to the Board on the remuneration (including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) of the directors (including executive directors and non-executive directors) and the senior management, and consult the chairman and general manager on the remuneration proposal for the executive directors who are not the chairman or the general manager;

- (8) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and reasonable;

to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

- (9) to ensure that no director or any of his associates is involved in deciding his own remuneration;

- (10) to consider other matters as prescribed by applicable laws, regulations, the Listing Rules and the Articles and as authorized by the Board.

Article 8 Relevant plans or proposals introduced by the Committee shall be submitted to the Board. The Board has the authority to refuse any remuneration plans or proposals which infringe the benefits of the shareholders.

Article 9 The nomination and remuneration plans or proposals introduced by the Committee that are approved by the Board shall only be implemented after tabling at the shareholders' meetings; the nomination and remuneration proposals of other senior management of the Company shall be approved by the Board in advance.

CHAPTER 4 WORKING PROCEDURES

Article 10 The nomination procedures of the directors and the senior management:

- (1) the Committee shall review and formulate the selection standards of directors and senior management in accordance with these Articles, the Rules of Procedures for the Shareholders' Meeting, the Rules of Procedures for the Board, etc., as well as the Guidelines and Listing Rules respectively;
- (2) the working team shall assist the Committee in broadly searching for the qualified candidates for directors and senior management. The working team shall also organize and preliminarily review the personal information (including educational background, working experience, etc., candidates for the independent non-executive directors also need to provide the information of independence) of the candidates;
- (3) the Committee shall convene meetings to review and make recommendations on the candidates for directors and senior management;

- (4) the Committee shall submit the opinions and recommendations of the candidates for directors and senior management to the Board.

Article 11 The examination procedures for the directors and senior management are:

- (1) The working team shall provide the Committee with the following Information:
 - a. the progress report on achieving major financial indicators and the performance of the operating goals of the Company;
 - b. the division of management work scopes and the situation of discharging of the major duties of the senior management;
 - c. the progress of achieving indicators in the appraisal system of the management staff;
 - d. the operating performance of innovative transactions of the directors and other senior management;
 - e. the relevant measuring standard of proposing remuneration salary planning and distribution methods which are according to the performance of the Company.
- (2) the directors and other senior management of the Company shall report their job duties and self-evaluation to the Committee;
- (3) the Committee shall appraise the performance efficiency of the directors and other senior management according to the appraisal standards and procedures;
- (4) the Committee shall introduce the proposal for the remuneration value and quota and the methods of rewarding according to the appraisal results of the job positions and the remuneration distribution policy, which shall be reported to the Board after being passed.

CHAPTER 5 MEETING RULES

- Article 12** The Committee meeting can be divided into regular meeting and extraordinary meeting. The regular meeting shall be convened at least once a year. The Committee meeting shall be convened and chaired by the Committee supervisor. All the Committee members shall be informed five days before the date of the meeting, and the information for the meeting shall be dispatched to all Committee members three days before the meeting. If the Committee supervisor is unable to attend the meeting, he/she shall appoint another Committee member, being an independent non-executive director to chair the meeting.
- Article 13** The quorum of the meeting shall require the presence of two-third of the Committee members. Each Committee member has a voting right. A resolution shall be valid if it is passed by more than half of the Committee members who attended the meeting.
- Article 14** The methods of voting are by a show of hands or by poll. An extraordinary meeting can be convened by voting through telecommunications.
- Article 15** If necessary, the Committee may invite the directors, the supervisor, the secretary to the Board or other senior management to attend the meeting. Intermediary parties may also be invited to attend the meeting and enquire the relevant attendees in relation to the relevant matters. To discuss the matters relating to certain Committee member, that Committee member may be requested to be absent from the meeting.
- Article 16** The Company should provide the Committee with sufficient resources to perform its duties. If necessary, the Committee may engage intermediary parties to provide professional opinions. The relevant expenses shall be paid by the Company.
- Article 17** Minutes of meetings of the Committee should be recorded, draft and final versions of minutes of meetings should be sent to all members for their comments and records respectively, in both cases within a reasonable time after the meeting is held. The attended committee members shall sign on the minutes, which should be preserved by the secretary to the Board.
- Article 18** The convening procedures, voting methods of the Committee meeting and resolutions passed in the meeting shall comply with relevant laws, rules, the Articles and these Rules. The proposals and resolution passed in the Committee meeting shall be reported to the Board in written form, and the meeting minutes or resolutions shall be circulated to all members of the Board in a reasonable time.
- Article 19** All the attended committee members and parties assume duty of confidentiality to the meeting and shall not allowed to disclose the relevant information without authorization.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 20 The Rules shall come into effect and be implemented on the date designated by the board resolution (“Rules Effective Date”). The original Guangzhou Pharmaceutical Company Limited – Rules of Procedures for the Salary and Examination Committee of the Board is terminated on the same day.

Article 21 Any matters not covered by the Rules shall be implemented in accordance with the provisions of the relevant laws and regulations of the PRC, the Listing Rules and the Articles. Should these Rules conflict with the laws and regulations of the State coming into effect after the Rules Effective Date or the Listing Rules or the Articles amended after the Rules Effective Date through lawful procedures and implemented subsequently, the State laws and regulations, the Listing Rules and the Articles as amended after the Rules Effective Date shall prevail, and these Rules shall be revised immediately and the revision shall be reported to the Board for consideration and approval.

Article 22 The Board reserves the right to interpret these Rules shall belong to the Board.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holding Company Limited