

China National Materials Company Limited
Terms of Reference and Operation Mode of the Remuneration Committee

Committee Composition

1. The remuneration committee (the "**Committee**") of China National Materials Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") shall consist of three directors (the "**Directors**") of the Company, a majority of which shall be independent non-executive Directors. Members of the Committee shall be nominated by the chairman of the board of Directors (the "**Board**") and considered and passed by the Board. The Committee composition shall be in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Main Board Listing Rules**").
2. The Committee shall have one chairman who shall be an independent non-executive Director, as considered and passed by the Board. When the chairman is unable or fails to perform his duties, he may designate another member (being an independent non-executive Director) of the Committee to perform the chairman's duties in his place.
3. The Committee shall have one secretary who shall be the head of the human resources department.
4. The term of office of the Committee shall be in congruence with that of the same session of the Board. The term of office of members of the Committee shall be in congruence with that of Directors, renewable upon re-election at its expiry. If a member of the Committee no longer maintains the position as a Director of the Company during the term, he or she shall automatically lose the qualification as a member of the Committee.
5. A member of the Committee may request to the Board to resign before expiry of his/her term of office, in which case the resignation letter shall include necessary statements on the reason of resignation and any matters that need to be brought to the attention of the Board. When the number of the members of the Committee falls below the minimum quorum in these rules, the resigning Committee members shall continue performing the relevant duties until the alternate Committee members take office.
6. Members of the Committee are subject to adjustments during their terms, if so proposed by the chairman of the Board and considered and passed by the Board.
7. In the event that the number of members of the Committee falls below the quorum herein, the Board shall fill up the vacancy in accordance with these rules.

Meetings and Procedures

1. Meetings of the Committee shall be held at least once a year and on an irregular basis when necessary.

2. The chairman of the Board shall be invited to be present at all meetings of the Committee, save for those at which remuneration package or interests of the chairman of the Board are considered.
3. A notice of meeting shall be signed and issued by the chairman of the Committee within 7 days (inclusive) upon the occurrence of any of the following circumstances:
 - (a) whenever the Board deems necessary;
 - (b) whenever the chairman of the Committee deems necessary;
 - (c) when proposed by two or more members of the Committee.
4. The secretary of the Committee is responsible for the serving of the notice of meeting in writing, not later than 3 days before the meeting (except in extraordinary circumstances where the requirements of time and procedure of notice herein may be waived with the chairman's approval, who shall explain in this regard at the meeting), to all members and the non-voting participants that are invited, if any. The notice of meeting shall include the means, time, place, session and topics of the meeting, despatching time of the notice and other relevant information.
5. Upon reception of the notice of meeting, members of the Committee shall give confirmation and provide relevant information (including but not limited to the availability of presence, schedule, etc.) in a timely and appropriate manner.
6. Members of the Committee should attend the meetings in person. Where a member fails to be present, he/she may appoint another member of the Committee by the power of attorney as duly signed to attend and express opinions at the meeting on his/her behalf. The power of attorney shall set out definite scope and term of authorization. A single member may not concurrently act as a proxy of two or more members.

The member attending the meeting as a proxy shall only exercise the rights within the power of attorney. A member failing to attend a meeting of the Committee either in person or by proxy nor submitting any opinions in writing prior to the meeting shall be deemed as a waiver of right.

A member unable to attend a meeting in person may exercise his/her right through submitting opinions in writing on the matters to be considered, in any event not later than the holding of meeting, to the secretary of the Committee.

7. A member of the Committee failing to attend a meeting of the Committee either in person or by proxy nor submitting any opinions in writing prior to the meeting for two times in succession shall be deemed as incapable of performing the duties in the Committee, and is subject to replacement by the Board in accordance with these rules.

8. The quorum of the meetings of the Committee shall be two or more of its members. The meetings of the Committee shall be chaired by its chairman who, if unable to attend the meeting, may appoint another member of the Committee to chair the meeting.
9. In considering the matters at a meeting, members of the Committee shall express opinions based on their own judgments and on a specific, independent and adequate basis. Any inconsistency of opinions shall be stated in the meeting minute to be submitted to the Board.
10. Meetings of the Committee shall be generally held in the form of on-site meeting. In extraordinary circumstances, a meeting may be held by telecommunication upon consent by the chairman of the Committee, provided that it is ensured that the members can express opinions on an adequate basis. For a meeting to be held by telecommunication, members of the Committee shall submit to the Board their opinions in writing on the matters to be considered within the period specified in the notice of meeting.
11. Other Directors, relevant senior management members and experts of the Company or external experts, scholars, intermediary institutions and relevant personnel may be invited by the Committee to attend its meeting as non-voting participants when necessary. The non-voting participants shall make explanation and clarification as requested by members of the Committee.
12. A member of the Committee who is interested in the matters to be considered by the Committee shall abstain from voting on such matters.
13. All members present at the meeting and the non-voting participants are obligated to keep confidential the matters considered at the meeting, and shall not disclose the relevant information without authorization.

Primary Duties

1. To make recommendations to the Board on the remuneration packages of 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;
2. To make recommendations to the Board on the remuneration of non-executive Directors;
3. To make recommendations to the Board on the policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
4. To consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and the senior management, and employment conditions elsewhere in the Group, etc.;

5. To consider what details of remuneration/benefits of the chairman of the Board and executive Directors should be reported in the Company's annual report and accounts;
6. To determine the criteria for assessing employee performance, which should reflect the Company's business objectives and targets;
7. 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. 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;
9. To consider the annual performance bonus for executive Directors and senior management, having regard to their achievements and by reference to market norms, and make recommendations to the Board;
10. To ensure that no Director or any of his associates is involved in deciding his own remuneration.