

Huaxin Building Materials Group Co., Ltd.
Management System for the Remuneration of Directors

Chapter 1 General Provisions

Article 1 In order to regulate the remuneration management of the directors of Huaxin Building Materials Group Co., Ltd. (hereinafter referred to as the “Company”), establish a scientific and effective incentive and restraint mechanism, fully motivate the directors, enhance the Company’s operational and managerial standards and promote the Company’s high-quality and sustainable development, this System is hereby formulated in accordance with the relevant requirements such as the Company Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association of Huaxin Building Materials Group Co., Ltd. (hereinafter referred to as the “Articles of Association”) and in combination with the Company’s actual circumstances.

Article 2 This System applies to all directors as stipulated in the Articles of Association, including executive directors, non-executive directors, and independent non-executive directors.

Article 3 The remuneration management of the directors of the Company shall adhere to the following principles:

- (1) the principle of openness, fairness, standardisation and transparency;
- (2) the principle of integrating responsibility, authority and interest, and aligning with the Company’s operating results and individual performance;
- (3) the principle of adapting to social and economic development and aligning with the Company’s development strategy;
- (4) the principle of attaching equal importance to incentives and restraints - remuneration shall be set at a level that can attract and retain directors, motivating them to manage the Company’s development and operations effectively, while avoiding exceeding reasonable limits.

Chapter 2 Remuneration Management Authority and Responsibility

Article 4 The Remuneration and Assessment Committee of the Board of Directors of the Company is a specialized working body for the remuneration management of directors and is accountable to the Board of Directors. The main responsibilities of the Remuneration and Assessment Committee include formulating and reviewing the remuneration policies and proposals for directors, defining the determination basis and specific components of the remuneration and conducting assessments in accordance with the remuneration assessment standards. When the Board of Directors or the Remuneration and Assessment Committee assesses an individual director or discusses his/her remuneration, such director shall recuse himself/herself and shall not participate in determining his/her own remuneration.

Article 5 If the Board of Directors does not adopt or does not fully adopt the recommendations of the Remuneration and Assessment Committee, the opinions of the Remuneration and Assessment Committee and the specific reasons for non-adoption shall be recorded in the resolution of the Board of Directors and disclosed.

Article 6 The remuneration proposal for directors shall be determined at the Shareholders' General Meeting and disclosed.

Article 7 Departments such as the human resource department, the finance department and the Board Office of the Company shall cooperate with the Remuneration and Assessment Committee of the Board of Directors to carry out the specific implementation of the remuneration proposals for directors.

Chapter 3 Remuneration Standards

Article 8 Composition of the remuneration of the directors of the Company:

(1) The remuneration for executive directors and non-executive directors who serve full-time at the Company consists of basic remuneration, performance-based remuneration (including short-term and medium-to-long-term incentive income), as well as other special incentives, bonuses, or awards granted based on the Company's actual circumstances. Performance-based remuneration shall, in principle, account for no less than 50% of the aggregate amount of the basic remuneration and performance-based remuneration.

(2) Non-executive directors who do not serve full-time at the Company and independent non-executive directors shall be subject to a fixed allowance system. The specific allowance amounts for non-executive directors serving as the Chairman of the Board, non-executive directors who do not serve full-time at the Company, and independent non-executive directors shall respectively be determined in accordance with the allowance standards approved by the Company's Shareholders' General Meeting. No additional remuneration shall be paid other than the aforementioned allowance.

Article 9 The remuneration of directors of the Company shall be commensurate with the market development, aligned with the Company's operating results and individual performance and consistent with the Company's sustainable development.

Article 10 The determination and payment of performance-based remuneration of executive directors and non-executive directors who serve full-time at the Company shall be primarily based on performance assessments.

Chapter 4 Payment of Remuneration

Article 11 The calculation and payment of remuneration for executive directors and non-executive directors who serve full-time and receiving remuneration from the Company shall be carried out in accordance with the Company's internal remuneration system. Allowances for other directors shall be calculated and paid in accordance with the relevant policies of the Company.

Article 12 The long-term incentive portion in the performance-based remuneration of executive directors and non-executive directors who serve full-time and receiving remuneration from the Company shall be paid on a deferred basis.

A certain percentage of the performance-based remuneration shall be paid after the annual report is disclosed and the performance assessment is completed. The performance assessment shall be conducted based on audited financial data.

Article 13 The remuneration of the Company's directors is quoted as a pre-tax amount. In accordance with the relevant requirements of the State and the Company, the Company shall deduct the following payments from such remuneration:

- (1) individual income tax to be withheld and paid;
- (2) the portion of various types of social insurance, housing fund, enterprise annuity and other fees payable by the individuals;
- (3) the portion of other payments to be borne by the individual in accordance with the relevant requirements of the State and the Company.

Article 14 If a director of the Company breaches his/her duties and causes losses to the Company, or is at fault for illegal or non-compliant acts such as financial fraud, misappropriation of funds or illegal provision of guarantees, the Company may reduce or suspend payment of the remuneration to him/her, or is entitled to recover in full or in part the remuneration already paid to him/her during the period in which the relevant acts occurred, based on the severity of the circumstances.

Chapter 5 Remuneration Adjustment

Article 15 The Company shall appropriately adjust the remuneration standards for directors according to the Company's operating results, the inflation level, the remuneration level of peers and State policies, and shall comply with the relevant approval procedures.

Chapter 6 Supplementary Provisions

Article 16 For any matters not provided herein or in the event of any inconsistency with the relevant laws, regulations, normative documents and the Articles of Association as amended from time to time, the relevant laws, regulations, normative documents and the Articles of Association shall prevail.

Article 17 This System shall take effect and be implemented upon consideration and approval by the Board of Directors of the Company and submission to the shareholders' meeting of the Company for approval. The Board of Directors of the Company shall be responsible for interpretation.

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