

海東青新材料集團有限公司*

COSTIN New Materials Group Limited

Terms of Reference of the
Remuneration Committee under
The Board of Directors

** For identification purpose only*

海東青新材料集團有限公司*
COSTIN New Materials Group Limited
(Incorporated in the Cayman Islands with limited liability)

Terms of reference of the
Remuneration Committee under
The Board of Directors

1. Constitution of the Company

On 12 May 2010, the board (the “Board”) of directors (the “Directors”) of COSTIN New Materials Group Limited (the “Company”) passed a resolution for establishing a committee of the Board known as the Remuneration Committee.

2. Membership

- 2.1 Members of the Remuneration Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three members, the majority of whom shall be independent non-executive Directors.
- 2.2 The chairman of the Remuneration Committee shall be appointed by the Board and must be an independent non-executive Director.

3. Secretary of the Remuneration Committee

The Company Secretary or a person to be appointed by the Remuneration Committee from time to time shall be the secretary of the Remuneration Committee.

4. Meeting

- 4.1 Meetings shall be held at least once a year. Additional meetings should be held as and when the work of the Remuneration Committee demands.
- 4.2 The Chairman of the Remuneration Committee may convene additional meetings at his discretion.
- 4.3 The quorum of the Remuneration Committee shall be at least two members of the Remuneration Committee. All provisions under the Articles of Association of the Company governing meetings of the Board and the procedures thereof shall, mutatis mutandis, be applicable to governing the meetings of the Remuneration Committee and procedures thereof.

- 4.4 Members of the Remuneration Committee shall, prior to each meeting, declare their respective interests in the matters to be considered on such respective meetings. If a member of the Remuneration Committee or his associate(s) (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) is/ are materially interested in the matters to be considered on the meeting, the member shall have no voting rights and his attendance shall not be counted towards the quorum.
- 4.5 Minutes of meetings of the Remuneration Committee should record in sufficient detail the matters considered by members of the Remuneration Committee and decisions reached, including any concerns raised by members of the Remuneration Committee or dissenting views expressed. Draft and final versions of minutes of meetings of the Remuneration Committee should be sent by the secretary of the Remuneration Committee to all members of the Remuneration Committee for their comment and records within a reasonable time after the meeting is held. Full minutes of meetings of the Remuneration Committee shall be kept by the secretary of the Remuneration Committee and signed minutes shall be submitted to the Board.

5. Authority

- 5.1 The Remuneration Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Remuneration Committee.
- 5.2 The Remuneration Committee should consult the chairman and/or chief executive about their proposals relating to the remuneration of other executive Directors.
- 5.3 The Remuneration Committee should be provided with sufficient resources to perform its duties and have access to independent professional advice, at the expense of the Company, to fulfill its responsibilities.
- 5.4 The Secretary of the Remuneration Committee is authorized by the Board to seek information required for discharging its duties.

6. Duties

- 6.1 The duties of the Remuneration Committee shall be:
- (a) to make recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) either: (i) to determine, with delegated responsibility, to the remuneration packages of individual executive Directors and senior management; or (ii) to make recommendations to 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;
- (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 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 are consistent with contractual terms and are otherwise reasonable and appropriate;
- (h) to ensure that no Director or any of his associates is involved in deciding his own remuneration; and
- (i) to consider other matters, as defined or assigned by the Board from time to time.

6.2 The Remuneration Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the websites of The Stock Exchange of Hong Kong Limited and the Company.

7. Annual General Meeting

At the request of the Board, the chairman of the Remuneration Committee or, in his absence, another member of the Remuneration Committee or his duly appointed delegate, shall attend the annual general meetings of the Company to be available to answer questions at the annual general meeting.

8. Reporting Procedures

The Remuneration Committee shall report to the Board on a regular basis. At the next Board meeting following a Remuneration Committee's meeting, the Remuneration Committee's chairman shall report the Remuneration Committee's findings and recommendations to the Board.

Board of Directors of

COSTIN New Materials Group Limited

March 2012