

Huaxin Cement Co., Ltd.*
華新水泥股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 6655)

Rules of Procedures for the Governance and Compliance Committee to the Board of Directors

Chapter One: General Provisions

Article 1 Pursuant to the *Company Law of the People's Republic of China*, *Code of Corporate Governance of Listed Companies*, *Articles of Association of Huaxin Cement Co., Ltd.*, *Rules of Procedure of the Board of Directors of Huaxin Cement Co., Ltd.* and other relevant provisions, Huaxin Cement Co., Ltd. (the "**Company**") has established the Governance and Compliance Committee (the "**Committee**") under the Board of Directors (the "**Board**") and formulated these Rules of Procedures, so as to improve the governance structure of the Company and promote compliance across all businesses.

Article 2 The Committee is a special organization under the Board. The main objective of the Committee is to assist the Board of Directors in adopting the most appropriate governance standards for the Company (including subsidiaries), in fulfilling the Board's responsibility for oversight of the Compliance practices of the Company and the Company's occupational health and safety practices.

Article 3 The Committee shall have free and unfettered access to all personnel and other parties (internal and external), as required by the Committee to carry out its duties.

Article 4 In performing the duties, the Committee may seek independent professional advice including engaging a professional firm to conduct an investigation for company related matters, at Huaxin's reasonable expense.

The expense budget of the Committee for the aforementioned purposes shall be submitted to the chairman of the Company for approval.

Article 5 The Committee shall conduct regular review and assessment annually over the duty performance of the Committee and the implementation of these Rules of Procedures.

* For identification only

Article 6 The secretary to the Committee shall be appointed by the Committee and shall be responsible, in conjunction with the Convener of the Committee (the Convener), for drawing up and deciding the meeting agenda (supported by explanatory documentation and papers).

Article 7 The Board Office of the Company shall be responsible for the liaison, conference organization, document circulation, meeting records keeping, file archiving and other routines of the Committee.

Chapter Two: Composition and Convener

Article 8 The Committee shall comprise at least three Directors approved by the Board. The Committee shall include at least one Independent Director with legal background, and a majority of Non-executive Directors.

Article 9 The Committee shall have one Convener. The Chairman shall take the position of Convener and be approved by the Board.

Article 10 The term of office of the Committee shall be in congruence with that of the Board, and its members may be re-elected and re-appointed upon expiry of the current term of office. If any member no longer acts as a director of the Company during his/her term of office, he/she shall automatically cease to hold the Committee membership, and the vacancy shall be filled by someone appointed in accordance with the abovementioned provisions of Articles 8 and 9.

Article 11 The Convener of the Committee shall exercise power as follows:

(1) Determining the agenda of the Committee meetings;

(2) Presiding over the Committee meetings and taking reasonable measures to ensure proper functioning of the Committee, including the proper conduct of meetings and an appropriate level of discussion;

(3)

Chapter Three: Terms of Reference

Article 12 The Committee shall supervise and inspect the Company's implementation of major compliance issues required by competent regulatory authorities, excluding financial compliance that falls into the compass of the Audit Committee (e.g. accounting, auditing and financial reports). The main terms of reference of the Committee are as follows:

(1) Putting forward suggestions to the Board on the most appropriate corporate governance policies which can be widely adopted by the Company;

(2) Putting forward suggestions to the Board on the Company's compliance practices;

(3) Examining the Company's compliance with the environmental laws and regulations, through joint efforts with the Top Management;

(4) Examining and reviewing the Company's objectives, policies and practices on occupational health and safety, through joint efforts with the Top Management; and

(5) Other matters authorized by the Board.

Article 13 The role of the Committee in examining the Company's governance policies mainly involves:

(1) Examining the governance framework of the Company on an annual basis and approving the governance statement/report of the Company on behalf of and upon authorization by the Board;

(2) Reviewing developments in corporate governance and recommend standards which it considers are appropriate and in the best interests of the Company;

(3) Giving full consideration to any issues that may trigger off conflicts of interest among directors, and reviewing the current codes of conduct and morality of Directors; and

(4) Monitoring the corporate governance of subsidiaries and branches of the Company.

Article 14 The role of the Committee in reviewing the Company's compliance practices mainly involves:

(1) Examining and approving alterations to the compliance policies which do not require the Board's approval;

(2) Considering and reviewing with Top Management and the Head of Internal Audit the adequacy of the Company's compliance controls through reviewing the results of Internal Audit reports;

(3) Monitoring and assessing the effectiveness of the Company's compliance function and framework together with the Head(s) of Legal Affairs and/or Compliance Department(s), to ensure the Company's compliance with applicable laws and regulations; and

(4) Together with the Top Management and Head(s) of Legal Affairs and/or Compliance Department(s), reviewing and assessing:

- The adequacy of the process for reporting and responding to regulatory breaches;
- The findings of any examinations by regulatory agencies;
- Any changes to the regulatory policies which are of significant impacts on the Company;
- The annual compliance plan; and

Article 15 The Committee shall arrange at least one private meeting with the Head(s) of Legal Affairs and/or Compliance Department(s) each year, discussing matters deemed necessary for private discussion by the Committee, Head(s) of Legal Affairs and/or Compliance Department(s) and Head of the Internal Audit Department.

During the private meeting, the Head(s) of Legal Affairs and/or Compliance Department(s) and Head of the Internal Audit Department shall report to the Committee any actual or suspected major violations, including any breaches of the laws.

Article 16 The role of the Committee in reviewing the Company's compliance with environmental laws and regulations mainly involves:

(1) Reviewing the policies and procedures in place to ensure that significant environmental regulations are followed thoroughly.

(2) Consider the adequacy of reporting and responding to breaches of environmental regulations including the adequacy and results of investigation and follow up by Top Management.

Article 17 The role of the Committee in reviewing the Company's compliance with occupational health and safety obligations mainly involves:

(1) Monitoring the Company's practices and performance in occupational health and safety;

(2) Reviewing the operation of the Company's OHS System including policies, principles, practices and outcomes;

(3) Ensuring adherence to applicable laws and regulations; and

(4) Making suggestions to the Board on policies, practices and strategies related to occupational health and safety.

Chapter Four: Rules of Procedure

Article 18 The Committee holds regular and provisional meetings. All members shall be notified seven days prior to the convening of a meeting.

Article 19 The Committee shall hold at least four regular meetings each year. For the

Article 24 Where the Convener puts a proposal or issue to a vote, the proposal or issue shall become a valid resolution only when it is passed by a simple majority.

Article 25 Where a member of the Committee is the interested person/party of any matter being discussed by a meeting, such member shall withdraw from the voting process. In the event that the Committee is unable to form a valid opinion on a certain matter due to the withdrawal of any of its members, such matter shall be reviewed directly by the Board of the Company.

Article 26 Any meetings of the Committee shall have minutes of the meetings signed by all members present at such meetings. The secretary to the Committee shall be responsible for the preparation, circulation and signing of such minutes.

Article 27 Any opinions made and resolutions passed at a meeting of the Committee shall be reported in written form to the Board of the Company.

Article 28 All participants at a meeting shall be obliged to keep confidential all matters discussed in such a meeting and shall not disclose any relevant information without due authorization.

Chapter Five: Supplementary Provisions

Article 29 "Compliance" in these Rules of Procedures means acting according to relevant laws and regulations, as well as the Company's compliance guidelines, policies, directives, rules and other internal codes of conduct.

Article 30 These Rules of Procedures shall be put in force on the date of passing the relevant resolution by the Board.

Article 31 Any matters that are not covered in these Rules of Procedures shall be implemented according to the national laws, regulations and the Articles of Association of the Company; In the event of any conflicts with any provisions of the laws and regulations promulgated by the State or Articles of Association amended through legal processes after these Rules of Procedures become effective, the latter shall prevail and these Rules of Procedures shall be forthwith amended and submitted to the Board for reviewing and approval.

Article 32 The right to interpret these Rules of Procedures shall vest in the Board of the Company.

English translation of this document for reference only. If there are discrepancies between the Chinese version, the Chinese version shall prevail.