

# **Nanhua Futures Co., Ltd.**

## **Rules of Procedures of the Remuneration and Appraisal Committee of the Board of Directors**

### **Chapter 1 General Provisions**

**Article 1** In order to further establish and improve the assessment and incentive mechanism for the directors and senior management of Nanhua Futures Co., Ltd. (the “Company”), and to enhance the corporate governance structure, the remuneration and appraisal committee has been established and these rules of procedures have been formulated by the board of directors of the Company in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Administrative Measures for Independent Directors of Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association of Nanhua Futures Co., Ltd. (the “Articles of Association”) and other relevant requirements.

**Article 2** The remuneration and appraisal committee is a specialized body established under the board of directors of the Company, primarily responsible for formulating the standards for the assessment of directors and senior management and conducting the assessment, as well as formulating and reviewing the remuneration policies and packages for directors and senior management.

**Article 3** The directors referred to in these rules of procedures mean the Company’s chairperson, directors and independent directors and the senior management referred to herein means the Company’s general manager, deputy general managers, chief risk officer, secretary of the board of directors, chief financial officer and others senior management personnel as specified in the Articles of Associations.

**Article 4** The provisions of the Company Law, the Administrative Measures for Independent Directors of Listed Companies, the securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Associations concerning the appointment management and conduct standards for directors shall apply to members of the remuneration and appraisal committee.

## **Chapter 2 Personnel Composition**

**Article 5** The remuneration and appraisal committee consists of three directors, with a majority of whom being independent directors, and shall be convened by an independent director.

**Article 6** Members of the remuneration and appraisal committee shall be nominated by the chairperson of the board of directors, more than half of the independent directors or more than one third of all directors, and are subject to election by the board of directors.

**Article 7** The remuneration and appraisal committee shall have one convener, who shall be an independent director elected to preside over the work of the committee.

**Article 8** The term of the members of the remuneration and appraisal committee shall be the same as the term of directors of the board of directors. A member may serve consecutive term if re-elected upon the expiry of his/her term of office. Prior to the expiration of his/her term of office, a member of the remuneration and appraisal committee may be removed from his/her roles by the Company in accordance with statutory procedures. During such period, if any member ceases to hold office as a director of the Company, such member shall be automatically disqualified as a member of the committee.

**Article 9** Where the number of members of the remuneration and appraisal committee is reduced due to the resignation or removal of members or other reasons, the board of directors of the Company shall promptly add new members for the committee.

**Article 10** The office of the board of directors of the Company is primarily responsible for the day-to-day liaison and meeting organization of meetings of the remuneration and appraisal committee.

## **Chapter 3 Duties and Powers**

**Article 11** The primary duties and authorities of the remuneration and appraisal committee are:

(I) to make recommendations to the board of directors on the overall remuneration policy and structure for directors and senior management of the Company, and the establishment of formal and transparent procedures for developing remuneration policy;

(II) to recommend to the board of directors the remuneration packages of executive directors and senior management, including, where applicable, non-monetary benefits, pension rights and compensation amounts (including compensation for loss or termination of office or appointment), and formulating the remuneration/allowance packages for executive directors and senior management;

(III) to make recommendations to the board of directors on the remuneration of non-executive directors;

(IV) to evaluate and consider management's remuneration proposals in accordance with the corporate policies and objectives established by the board of directors;

(V) factors to be considered by the committee in the performance of its duties include salaries paid by comparable companies, time commitment and responsibilities of the directors and senior management, and employment conditions of other positions within the Group;

(VI) to review and approve compensation arrangements payable to directors and senior management in connection with loss, termination of office or appointment, dismissal or removal (whether or not arising from misconduct on the part of the director) so as to ensure that such compensation is consistent with contractual terms; where not determined by contractual terms, compensation shall be reasonable and appropriate;

(VII) to ensure that no director or any of their associates is involved in deciding his/her own remuneration;

(VIII) to formulate or amend equity incentive schemes and employee stock ownership plans, including reviewing the equity granted to incentive recipients and the criteria for exercising such equity, as well as reviewing and/or approving matters related to the relevant shares/equity incentive schemes as specified in the rules of the stock exchange;

(IX) the arrangement of stock ownership plans for subsidiaries to be spun off by the directors and senior management members;

(X) other matters as stipulated by laws, administrative regulations, regulations of the CSRC, stock exchanges and the Articles of Association.

If the board of directors does not adopt or fully adopt the recommendations of the remuneration and appraisal committee, the board of directors shall record the opinions of the remuneration and appraisal committee and the specific reasons for not adopting in a resolution of the board of directors, and make corresponding disclosure.

**Article 12** The remuneration and appraisal committee shall be accountable to the board of directors. The resolutions made by the committee shall be submitted to the board of directors for consideration; the remuneration packages it proposes for a directors of the Company may be implemented only after the same are submitted to the board of directors for approval and submitted to a shareholders' meeting for consideration and approval; the remuneration packages it proposes for a senior management of the Company shall be submitted to the board of directors for approval.

**Article 13** The board of directors shall have the right to veto any remuneration policy or package that jeopardizes the interests of the Company's shareholders.

#### **Chapter 4 Rules of Procedures**

**Article 14** Meetings of the remuneration and appraisal committee shall be convened according to actual needs and notice thereof shall be given to all members three days prior to the meeting. The meetings shall be presided over by the convener. Should the convener be unable or incapable of performing his/her duties, a member of the remuneration and appraisal committee jointly nominated by a majority of its members shall preside. In urgent circumstances where the convening of a meeting is required as soon as practical, notice may be given at any time by telephone or other verbal means.

**Article 15** The meetings of the remuneration and appraisal committee shall be attended by two thirds or more of its members. Voting on resolutions of the remuneration and appraisal committee shall be conducted on a one-person-one-vote basis. A resolution of the meeting is valid only with the approval of more than one half of the members.

**Article 16** Voting at meetings of the remuneration and appraisal committee shall be conducted by a show of hands or by poll. The meetings shall be convened on site in principle. Provided that all participating directors can fully communicate and express their opinions, such meetings can be held by means of video, telephone or other methods when necessary.

**Article 17** The remuneration and appraisal committee may invite personnel from relevant departments of the Company to be present at the meeting and may, if necessary, invite the directors, senior management, and professionals of the Company to be present at the meeting.

**Article 18** If necessary, the remuneration and appraisal committee may engage an intermediary to provide professional advice for its decision-making, at the Company's expense.

**Article 19** The procedures for convening meetings of the remuneration and appraisal committee, the voting methods employed and the resolutions passed at such meetings shall be in compliance with the requirements under the relevant laws, regulations, securities regulatory rules of the place where the Company's shares are listed, the Articles of Associations and these rules of procedures.

**Article 20** Meetings of the remuneration and appraisal committee shall be recorded in writing and shall be signed by the members present. The minutes of such meetings shall be maintained by the office of the board of directors of the Company. During the Company's existence, the retention period shall be ten years.

**Article 21** The resolutions passed and voting results at the meetings of the remuneration and appraisal committee shall be reported to the board of directors in writing.

**Article 22** The participants present at the meeting shall have the obligation to keep confidential all matters discussed at the meeting, and shall not disclose the information relating thereto without authorization.

## **Chapter 5 Supplementary Provisions**

**Article 23** Matters not covered in these rules of procedures shall comply with relevant laws, administrative regulations, departmental regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Should these rules of procedures contravene the laws, administrative regulations, departmental regulations as subsequently promulgated by the State, or securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association as amended, the national laws, administrative regulations, departmental regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association shall prevail.

**Article 24** The term "or more" as used in these rules of procedures shall include the number itself.

**Article 25** The board of directors shall have the right to interpret these rules of procedures.

**Article 26** These rules of procedures shall come into force from the date when the H shares issued by the Company are listed on The Stock Exchange of Hong Kong Limited upon consideration and approval of the board of directors of the Company.