

GF Securities Co., Ltd.

**Rules of Procedure for the Remuneration
and Nomination Committee of the Board of Directors**

18 March 2016

Passed at the the 29th meeting of the eighth session of the Board of Directors



RULES OF PROCEDURE FOR THE REMUNERATION AND NOMINATION COMMITTEE OF THE BOARD OF DIRECTORS OF GF SECURITIES CO., LTD.

Chapter 1 General Provisions

Article 1 In order to perfect its corporate governance structure and further establish a sound management system of the remuneration and nomination for the Directors and senior management members of the Company, the Company has established the remuneration and nomination committee of the Board of Directors (hereinafter referred to as the “Remuneration and Nomination Committee”) and formulated the Rules of Procedure in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Regulations on Supervision and Management of Securities Companies (證券公司監督管理條例), Standards on Corporate Governance of Listed Companies (上市公司治理準則), Standards on Corporate Governance of Securities Companies (證券公司治理準則), the Articles of Association of GF Securities Co., Ltd. (hereinafter referred to as the “Articles of Association”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”) and other relevant provisions.

Article 2 As a specialized working body set up under the Board of Directors of the Company, the Remuneration and Nomination Committee is accountable to and reports its work to the Board of Directors. The Remuneration and Nomination Committee is mainly responsible for the selection and appraisal evaluation of the Company’s Directors and senior management members, improving the Company’s performance evaluation system, improving the soundness of the Company’s overall remuneration system and monitoring its implementation.

Article 3 The Office of the Board of Directors is responsible for handling the day-to-day affairs of the Remuneration and Nomination Committee, which may also engage a secretary where necessary.

Chapter 2 Composition

Article 4 The Remuneration and Nomination Committee shall be composed of three to five Directors, among which more than half of the members shall be independent Directors of the Company.

Members of the Remuneration and Nomination Committee shall be nominated by the Chairman of the Board of Directors, more than half of the independent Directors or more than one-third of all Directors, and shall be elected by a majority vote of the Board of Directors of the Company.

Article 5 The Remuneration and Nomination Committee shall have one chairman who shall be an independent Director. The chairman of the Remuneration and Nomination Committee shall be elected by more than half of all members.

The chairman shall be responsible for convening and presiding over meetings of the Remuneration and Nomination Committee. Where the chairman is unable to perform his/her duties, he/she shall appoint another member (who must be an independent Director) to perform the duties on his/her behalf.

Article 6 The term of office of members of the Remuneration and Nomination Committee shall be three years, which is the same as that of members of the Board of Directors. A member may serve consecutive term if re-elected upon the expiry of his/her term of office. Any member who ceases to be a Director of the Company during the term shall automatically be disqualified as a member of the Remuneration and Nomination Committee.

A member of the Remuneration and Nomination Committee may tender resignation before the expiry of his/her term of office. In this case, the member shall submit to the Board of Directors his/her written resignation application, which shall only take effect upon approval by the Board of Directors. The resigning member shall continue to perform relevant duties until the member elected in a by-election by the Board of Directors takes office.

No member of the Remuneration and Nomination Committee may be removed from office without cause prior to the expiry of term of office save as the occurrence of circumstances that requires dismissal as stipulated in the Company Law, the Securities Law of the People's Republic of China, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association.

Article 7 Where the number of members of the Remuneration and Nomination Committee falls below the required minimum number due to the resignation or removal of members or other reasons, the Board of Directors of the Company shall fill the vacancy in accordance with Article 4 hereof as soon as possible.

The Remuneration and Nomination Committee shall suspend the exercise of duties and powers stipulated by the Rules of Procedure when the number of members of the Remuneration and Nomination Committee is less than the required minimum number.

Chapter 3 Duties and Authorities

Article 8 The main duties and responsibilities of the Remuneration and Nomination Committee include:

- (1) making suggestions or recommendations on the structure, size and composition (including the expertise, know-how and experience) of the Board of Directors at least annually to the Board based on the business activities, asset size and shareholding structure of the Company, and making recommendations on any proposed changes to be made to the Board of Directors to complement the Company's corporate strategy;
- (2) reviewing the selection criteria and procedures of the Directors, the general manager and other senior management members of the Company, and making recommendation to the Board;
- (3) identifying candidates with suitable qualifications for the Directors, the general manager and other senior management members of the Company, and selecting and nominating relevant candidates for directorships or making recommendations to the Board of Directors in this regard;
- (4) reviewing and making recommendations on the qualification criteria of the candidates for the Directors (in particular the Chairman of the Board of Directors), the general manager and other senior management members of the Company, the appointment and re-appointment of directors or succession planning for directors;
- (5) assessing the independence of independent Directors;
- (6) reviewing and making opinions on the assessment and structure of the remuneration of the Directors and senior management members and the remuneration management system with reference to the corporate goals and objectives formulated by the Board of Directors, making recommendations to the Board on the remuneration package of the Directors and senior management members and on the establishment of a formal and transparent procedure for developing remuneration policies;
- (7) making recommendations to the Board on the remuneration of non-executive Directors;

- (8) assessing and making recommendations on the performance of Directors and senior management members according to the Company's performance assessment scheme, and determining the rewards and incentives/punishments of senior management members accordingly;
- (9) making recommendations of resignation and removal of Directors and senior management members for their violations and dereliction of duty;
- (10) formulating the remuneration policies of the Company by considering the salary level paid by comparable companies, time commitment, responsibilities and the employment conditions elsewhere in the group, and supervising and inspecting the implementation of such policies;
- (11) reviewing and approving the compensation payable to executive Directors and senior management members for any loss or termination of offices and making recommendations to the Board of Directors;
- (12) reviewing and approving the compensation arrangement relating to the dismissal or removal of Directors for their misconducts, thereby ensuring that such compensation arrangement is consistent with the terms of the relevant contract, and making recommendations to the Board of Directors;
- (13) ensuring that any Directors or any of their associates (as defined in the Hong Kong Listing Rules) are not involved in their own evaluation of their performance and the decision-making process of their own remuneration, apart from their self-assessment of performance; and
- (14) other duties as authorized by the Board.

Article 9 After considering the matters set out in the previous article hereof, the Remuneration and Nomination Committee shall, make meeting resolutions and report the same together with relevant proposals to the Board of Directors of the Company.

The Remuneration and Nomination Committee shall submit its annual work report to the Board of Directors within four months after the end of each accounting year.

Where necessary, the Remuneration and Nomination Committee may engage external professional parties to provide services to it. Any reasonable cost arising therefrom shall be borne by the Company provided that it shall ensure that the Company's trade secrets shall not be leaked out.

Article 10 The Remuneration and Nomination Committee shall formulate and, where appropriate, review the the policy concerning the diversity of board members, and shall annually disclose the relevant policy or a summary of the policy in the annual report.

Article 11 When the Remuneration and Nomination Committee performs its duties, relevant departments of the Company shall provide cooperation and the expenses incurred shall be borne by the Company.

Article 12 The chairman of the Remuneration and Nomination Committee or in his absence, another member of the Remuneration and Nomination Committee or failing this, his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to respond to questions at the meeting on the Remuneration and Nomination Committee's work and responsibilities.

Chapter 4 Convening and Notices of Meetings

Article 13 The meeting shall be convened at the request of the chairman of the Remuneration and Nomination Committee or more than half of members of the Remuneration and Nomination Committee of the Company.

Article 14 Meetings of the Remuneration and Nomination Committee can be classified into physical meetings and correspondence meetings. Meetings of the Remuneration and Nomination Committee shall be convened by way of physical meetings, or through correspondence meetings complemented by such technological means as video and teleconference except in emergency case or due to force majeure. If a correspondence meeting is adopted, members of the Remuneration and Nomination Committee who have signed on the meeting resolutions shall be deemed to have attended the relevant meeting and have agreed on the contents of the resolutions.

Article 15 The Remuneration and Nomination Committee shall dispatch the meeting notice 3 days before the date of the meeting (exclusive of the date of the meeting). The meeting documents shall be sent to all members of the Remuneration and Nomination Committee and to other invited attendees at least 3 days before the date of the meeting (exclusive of the date of the meeting) (or such other time of period as the members may agree).

Article 16 The meeting notice of the Remuneration and Nomination Committee shall at least include the following items:

- (1) way of presentation, time and venue of the meeting;
- (2) duration of the meeting;
- (3) agenda of the meeting;
- (4) date of notice of the meeting.

Article 17 The meeting notice may be delivered to all the Remuneration and Nomination Committee members and attendees by mail, facsimile, email or personal delivery. Subject to the consent of all members of the Remuneration and Nomination Committee, the foregoing requirement of notification may be waived.

Chapter 5 Consideration and Voting Procedures

Article 18 The Remuneration and Nomination Committee meeting shall not be held unless a quorum of more than two thirds of its members is present.

Article 19 Any member of the Remuneration and Nomination Committee who is absent from the meeting twice successively, shall be considered as unable to perform his/her duty, and the Board of Directors of the Company may remove his/her position as a member.

Article 20 Each member of the Remuneration and Nomination Committee shall have one vote and the resolutions by the committee approved by over half of all members shall become valid.

Article 21 If a member of the Remuneration and Nomination Committee is interested in any proposal to be discussed at the meeting, the interested member shall abstain. After the abstaining of the interested member, if the number of members present at the meeting is less than the quorum, such proposal shall be submitted to the Board of the Company for consideration.

Article 22 The Remuneration and Nomination Committee may, if considered necessary, invite other relevant personnel to attend the meetings to introduce the details or deliver opinions in relation to the resolutions to be discussed at the meetings, but the persons so present shall have no voting rights to the proposals.

Article 23 If necessary, subject to the approval of the Board, the Remuneration and Nomination Committee may engage an intermediary institution to form a professional opinion on its decision. The cost shall be borne by the Company.

Article 24 The voting of the Remuneration and Nomination Committee resolution is done by a written voting on site or a show of hand on site. The chairman of the meeting shall count the votes on each proposal and announce the voting results on the spot, which shall be recorded by the minute taker, or the voting shall be made by absentee ballot.

Chapter 6 Resolutions and Minutes of Meetings

Article 25 Each proposal on which a prescribed number of valid votes are cast becomes a resolution of the Remuneration and Nomination Committee upon announcement by the chairman of the meeting. Resolutions of the Remuneration and Nomination Committee come into effect upon signature by members present at the meeting.

Article 26 The Remuneration and Nomination Committee shall maintain a record of written meeting minutes on which members present and the minutes taker shall sign their names. Members present shall have the right to request explanatory remarks on his speech at the meeting to be written down in the minutes.

Article 27 The written documentation and minutes regarding such resolutions shall be kept by the Company or a duly-appointed secretary of the meeting as a corporate archive for a period of no less than 15 years during the subsistence of the Company. The meeting minutes shall be open for inspection at any reasonable time on reasonable notice by any Director.

Article 28 Members of the Remuneration and Nomination Committee who participate in the voting on a resolution shall be jointly liable for compensation to the Company should such resolution be in violation of laws, regulations, the Articles of Association or other relevant provisions and cause severe harm to the Company. However, if a member is proven to have cast their votes against such resolution and it was so recorded in the meeting minutes, he/she may be exempted from the liabilities.

Article 29 Any resolution passed and the result of any poll taken at a meeting of the Remuneration and Nomination Committee shall be reported in writing to the Board of Directors of the Company.

Article 30 All members attending the meetings and persons sitting in at the meetings shall have the obligations of confidentiality, and shall not disclose any relevant information without authorization.

Chapter 7 Supplementary Provisions

Article 31 Any matters not covered herein shall be implemented in accordance with the PRC laws, regulations, the listing rules of the stock exchange on which the shares of the Company are listed, the Articles of Association and other relevant provisions.

Article 32 The Board of Directors the Company shall be responsible for the interpretation of the Rules of Procedure.

Article 33 The Rules of Procedure shall, as approved by the Board, become effective from the date when the offshore listed foreign shares (H shares) issued by the Company are listed on The Stock Exchange of Hong Kong Limited. From the effective date of the Rules of Procedures, the original Rules of Procedure for the Remuneration and Nomination Committee of the Board of Directors shall lapse automatically on the same date.

Note: If there is any inconsistency between the English and Chinese versions of the Rules of Procedure, the Chinese version shall prevail.