中国银河证券股份有限公司
CHINA GALAXY SECURITIES CO., LTD.

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

(Stock Code: 06881)

TERMS OF REFERENCE OF THE NOMINATION AND REMUNERATION COMMITTEE UNDER THE BOARD OF DIRECTORS

CHAPTER 1 GENERAL PROVISIONS

Article 1 These terms of reference of China Galaxy Securities Co., Ltd. (the "Company") are formulated in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Securities Companies, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other laws and regulations, as well as the Articles of Association and the Rules of Procedures of the Board of the Directors, and based on the actual situation of the Company to regulate the decision-making mechanism of the board of directors and improve the corporate governance of the Company.

Article 2 The Nomination and Remuneration Committee (the "Committee") of the board of directors is a specialized organization established by the board of directors pursuant to the Articles of Association. It shall assist the board of directors in performing duties within the authorities specified in these terms of reference and shall be accountable and report to the board of directors.

CHAPTER 2 COMPOSITION

Article 3 The Committee shall comprise at least three directors, with a majority being independent directors. The Committee shall have a chairman who shall be an independent director.

Article 4 Members of the 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. The chairman shall be nominated by the chairman of the board of directors and approved by a majority of all members of the Committee.

The appointment of the chairman and members of the Committee shall be subject to the approval of the board of directors.

Article 5 The term of office of the members of the Committee shall be the same as that of the directors. A member of the Committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. If any member ceases to be a director of the Company during his/her term of office, he/she shall automatically lose the qualification as a member of the Committee. In the event that the number of members of the Committee falls below the quorum provided herein, the the board of directors shall fill the vacancy in accordance with these terms of reference.

Where the composition of the Committee fails to meet the requirement specified in Article 3 hereof, the board of directors shall promptly explain the details and reasons of such non-compliance by means of announcement according to the requirements of the securities regulatory authorities in the place where the shares of the Company are listed, and shall satisfy the requirements within three months from the date of non-compliance with the above requirements.

Article 6 The chairman of the Committee shall be in charge of the work of the Committee, whose principal duties are as follows:

(1) to organise and ensure the efficient operation and performance of duties of the Committee;

(2) to convene and chair meetings of the Committee;

(3) to ensure that all members of the Committee know clearly about the matters to be deliberated at the meeting and have access to complete and reliable information;

(4) to ensure each proposal deliberated by the Committee be resolved with clear and concise conclusion;

(5) to arrange other affairs conferred by the board of directors; and

(6) to perform other functions and duties as stipulated herein.

In the event that the chairman of the Committee is absent or fail to discharge his/her duties, a member of the Committee, who shall be an independent director, may be jointly elected by other members to perform the duties of the chairman.

Article 7 Members of the Committee shall have professional knowledge, experience and skills commensurate with their duties in the Committee. Their principal duties are as follows:

(1) to propose topics for discussion at meetings of the Committee;

(2) to attend the meetings of the Committee on time and to express opinions on the matters deliberated or discussed at the meetings and exercise their voting rights;

(3) to attend relevant meetings of the Company, and to understand and obtain relevant information of the Company; and

(4) to perform other functions and duties as stipulated herein.

Article 8 Any member of the Committee may be replaced or removed upon approval of the board of directors if any one of the following situations occurs:

(1) the member tenders his/her resignation in writing;

(2) the member is involved in gross misconduct or in violation of laws and regulations, the Articles of Association or these terms of reference during the his/her term of office;

(3) other circumstances which the board of directors considers that the member is not fit to take up the position as a member of the Committee.

CHAPTER 3 DUTIES

Article 9 The Committee is mainly responsible for formulating the selection criteria and procedures for the Company's directors and senior management, selecting and reviewing candidates for directors and senior management and their qualifications, formulating and conducting assessments based on performance evaluation criteria for directors and senior management, and formulating and reviewing compensation policies and plans, including the compensation determination mechanism, decision-making process, payment and cessation of payments recovery arrangements for directors and senior management, with the specific duties as follows:

(1) to make recommendations to the board of directors on the size and composition of the board of directors and the special Board committees based on the Company's operation, total amount of assets and equity structure;

(2) to make recommendations to the board of directors on the number and composition of the senior management based on the needs of the Company's business operation, as well as the requirements of the regulatory authorities;

(3) to formulate the selection criteria and procedures for the directors and senior management and to make recommendations to the board of directors; to conduct evaluation on the structure, size, composition and diversity (including gender, age, skills, knowledge and experience) of the board of directors at least once a year, to assist the board of directors in maintaining a board skills matrix, and to make recommendations on any proposed changes to the board of directors for the purpose of implementing the corporate strategy;

(4) to formulate, review and update the policy on diversity of the board of directors for submission to the board of directors for approval, to review and update the objectives set by the board of directors for the purpose of implementing the policy, and to monitor the progress on achieving such objectives;

(5) to study and formulate the selection criteria and procedures for the members of the special committees under the board of directors as well as the appointment, re-appointment and succession plans of directors (especially for the chairman and the General Manager (President)), and to make recommendations to the board of directors;

(6) to search broadly for qualified individuals as candidates for directors and senior management;

(7) to conduct review of the qualifications and conditions (including the independence of the independent directors) of the candidates for directors (including independent directors) and senior management based on the selection criteria and procedures, and to make recommendations to the board of directors;

(8) to review the qualifications and conditions of the candidates for the General Manager (President), the Chief Compliance Officer and the secretary to the board of directors nominated by the chairman, as well as the senior management candidates nominated by the chairman or the General Manager (President), including members of the Executive Committee of the Company, the Deputy General Manager (Vice President) and the Chief Financial Officer, based on the selection criteria and procedures, and to make recommendations to the board of directors;

(9) to make recommendations to the board of directors on the candidates for the members of other special committees under the board of directors;

(10) to formulate the development plans of the senior management and the training plans of key candidates, and to make recommendations to the board of directors;

(11) to review and provide opinions on the assessment and remuneration management system for directors and senior management;

(12) to formulate the criteria and the procedures for the review of the performance of directors and senior management, and to implement and provide opinions on the performance review of directors and senior management;

(13) according to the policy and target set by the board of directors, to formulate incentive policies and plans for the directors (including non-executive directors) and senior management following the formal and transparent procedures and taking into consideration the salaries paid by comparable companies, the responsibilities and time commitment required, as well as the terms of employment of other positions of the Company (including controlling subsidiaries), and to make recommendations to the board of directors;

(14) to make recommendations to the board of directors on the special remuneration packages (including the entitlement to non-monetary benefits, pension as well as compensation for any loss or termination of office or appointment) of executive directors and senior management;

(15) to review and approve the compensation to be paid to executive directors or senior management for any loss or termination of office or appointment, so as to ensure it is consistent with contractual terms and is otherwise reasonable and appropriate;

(16) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct, so as to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(17) to ensure that no director or his/her associate is involved in the determination of his/her own remuneration;

(18) to provide opinions on the directors service agreements to be approved by the shareholders. The abovementioned agreements include agreements with a service term of more than three years, agreements that require a notice period of more than one year or compensation in the amount of more than one year's remuneration or other payments in case of termination of the agreement by the Company, or agreements as required by the securities regulatory authorities in the place where the shares of the Company are listed;

(19) to review the Company's fundamental remuneration management system and policies and to evaluate its effectiveness;

(20) to support the Company's regular evaluation of the the performance of the board of directors;

(21) to formulate or change the share incentive scheme and employee share ownership scheme, granting of rights and benefits to the targets of the incentives and fulfillment of the conditions for exercising the rights and benefits, and to review or approve matters relating to share schemes under Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

(22) to arrange share ownership plans for directors and senior management in the event of a spin-off of a subsidiary; and

(23) other matters as authorized by the board of directors.

The Committee may make proposals to the board of directors in respect of any matters falling within the scope of the above duties.

Article 10 The business management and departments of the Company shall assist and coordinate with the Committee, promptly and accurately provide the information necessary for the Committee to perform its responsibilities, and respond to the inquiries raised by the Committee on relevant matters. The Committee shall consult the chairman of the board of directors regarding the remuneration policy for other executive directors.

Article 11 The Committee may conduct investigations on the implementation of fundamental remuneration management system and policies of the Company.

The Committee shall study the relevant investigation and feedbacks from the senior management or relevant responsible personnel, and report to the board of directors the investigation results and make suggestions.

Article 12 The Committee shall follow up and oversee the implementation of resolutions approved by the shareholders' meeting and the board meeting that fall within the scope of its duties.

Article 13 The Committee shall, in accordance with its duties, submit relevant materials and information in form of reports, proposals and summaries to the board of directors for consideration and decision-making.

The Committee shall report to the chairman of the board of directors the relevant materials and information during the adjournment of the board of directors.

Article 14 The Committee shall submit the annual work report to the board of directors.

Article 15 The Committee shall be provided with sufficient resources to perform its duties. The Committee may engage intermediaries to provide independent and professional advices for it or organize and assign the departments or employees of the Company to conduct a special research at the expense of the Company.

CHAPTER 4 RULES OF PROCEDURE

Article 16 The Committee shall convene at least two meetings each year by way of physical meeting or through communication tools.

Article 17 The meeting notice shall be issued 5 days before the date of meeting, unless waived with the consents of at least two-thirds of the members of the Committee.

Article 18 The meeting notice shall contain the following details:

(1) date and venue of the meeting;

(2) duration of the meeting;

(3) agenda and relevant materials of the meeting; and

(4) date of the notice.

Article 19 The meeting notice may be despatched by hand, fax, registered mail or e-mail.

Article 20 Upon approval by the chairman of the Committee, interim proposals may be added to the agenda of the meeting after the issue of the meeting notice, and relevant materials shall be served as soon as possible.

Article 21 A meeting of the Committee shall be convened only if more than half of all its members are present. The Committee may invite other parties who are not the Committee members to attend the meeting as and when necessary.

Article 22 Members of the Committee shall attend meetings in person and shall not appoint others to attend on their behalf.

Article 23 The Committee may request briefings or comments from relevant departments and personnel associated with the subject matters of the meeting. The relevant departments and personnel shall attend such meeting.

Article 24 The Committee shall adopt the abstention system.

Any Committee member who is subject to any of the following circumstances shall make prior disclosure to the Committee and proactively apply for abstention from discussion at the Committee meeting. Other members of the Committee may also require him/her to withdraw from discussion:

(1) the Committee member himself/herself, or his/her close relatives is being proposed for nomination;

(2) the performance and remuneration of the member are subject to evaluation and discussion by the Committee; and

(3) circumstances related to the interests of the Committee members or other situations that may affect their ability to make objective and fair judgments.

The close relatives referred to in this article shall include parents, spouse, siblings and their spouses, adult children and their spouses, parents-in-law, siblings-in-law and their spouses, uncles and aunts and their spouses, the adult children of uncles and aunts and their spouses.

If there is dispute regarding whether a member is subject to the aforesaid circumstances, the matter shall be resolved by a resolution passed by more than half of the other members present at the Committee meeting, excluding the member in question.

If the meeting is convened to discuss a number of matters, such member shall only be abstained from the discussion of the matter he/she is involved, and shall continue to perform his/her duties with respect to other matters.

If a resolution cannot be made due to the abstention of members, the Committee shall submit such matter to the board of directors for consideration.

Article 25 Any voting at the meetings of the Committee shall be taken by poll. Each member shall have one vote. A resolution of the meeting of the Committee shall be passed by more than half of all its members.

Article 26 A resolution of the meeting of the Committee shall be formed upon voting. The resolution shall contain the following details:

(1) the date, venue and name of the convener of the meeting;

(2) the number of members who shall attend and actual number of attendees of the meeting;

(3) the legal validity of the proceedings and resolutions of the meeting;

(4) the contents of the proposals considered and voted at the meeting and the voting results;

(5) other matters that shall be explained and recorded in the resolution.

The resolution shall be signed by all members present at such meeting. The resolution and the relevant proposals in written form shall be submitted to the board of directors and, where necessary, delivered to the relevant departments of the Company.

Article 27 The Committee shall keep minutes of the meetings, which shall record the details of the matters considered and resolutions formed at the meetings of the Committee, including any concerns or dissenting opinions raised by members of the Committee. Subsequent to the conclusion of a meeting, the draft of the meeting minutes and the final version shall be delivered to the members within a reasonable period of time, with the draft for their comments and the final version for record purpose. The meeting minutes shall be signed by the members of the Committee present at the meeting and the recorder of the meeting.

Article 28 The resolutions and minutes of the meetings of the Committee shall be important documents, information and files of the Committee and shall be kept by the secretary to the board of directors. During the subsistence of the Company, these documents, information and files shall be kept for not less than 20 years. The meeting minutes of the Committee shall be available for inspection by any director upon request.

Article 29 Members of the Committee, persons attending the meeting and other participants of the meeting shall undertake confidentiality obligations for all items discussed at the meeting. Relevant information shall not be disclosed without permission. In case of any breach of confidentiality, the concerned person shall bear legal liabilities in accordance with regulations.

CHAPTER 5 COORDINATION AND COMMUNICATION

Article 30 The office of the board of director is the working unit of the Committee, and its major duties shall include the followings:

(1) to manage daily operation and liaison of the Committee;

(2) to arrange the Committee meetings and prepare meeting minutes;

(3) to collect and prepare relevant materials for the Committee meetings;

(4) according to the requirements of the members of the Committee, to coordinate relevant departments of the Company to arrange investigation and research required by the members to perform their duties;

(5) to assist members in acquiring relevant information and coordinate relevant departments of the Company to provide related materials; and

(6) to coordinate the works between the Committee and other committees of the board of directors.

Article 31 The departments of the Company, such as the human resources department, are the supporting departments for the decision-making of the Committee. They shall provide related materials, draft relevant documents and make recommendations according to the requirements of the Committee.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 32 Unless otherwise specified, the terms used herein shall have the same meaning ascribed thereto under the Articles of Association.

Article 33 In the event that any matters are not covered by these terms of reference or any of these terms of reference are inconsistent with the relevant national laws and regulations, the listing rules of the place where the shares of the Company are listed and the Articles of Association, such laws and regulations, listing rules and the Articles of Association shall prevail.

Article 34 Amendments to these terms of reference shall be proposed by the Committee and submitted to the board of directors for approval.

Article 35 These terms of reference shall be interpreted by the board of directors.

Article 36 These terms of reference shall become effective from the date of consideration and approval by the board of directors.

The original terms of reference of the Nomination and Remuneration Committee under the board of directors of the Company shall lapse automatically on the date when these terms of reference become effective.