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(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 06881)

ANNOUNCEMENT

CONNECTED TRANSACTIONS UNDER PROPERTY LEASE CONTRACTS

The Board announces that (i) the Company will enter into the Lease Contract I with Galaxy Investment, (ii) Galaxy Jinhui, a wholly-owned subsidiary of the Company, will enter into the Lease Contract II with Galaxy Investment, and (iii) Galaxy Capital, a wholly-owned subsidiary of the Company, will enter into the Lease Contract III with Galaxy Investment, pursuant to which, the Company, Galaxy Jinhui and Galaxy Capital (each as a lessee) will continue to lease the office premises and/or parking spaces located in the Corporate Square, Beijing from Galaxy Investment (as the lessor). The parties intend to sign the Lease Contracts by 15 September 2020.

In accordance with IFRS 16 “Leases”, the Company will recognise right-of-use assets in its consolidated statement of financial position in respect of the lease of properties under the Lease Contracts. Accordingly, the transactions under the Lease Contracts will be regarded as an acquisition of assets by the Group for the purpose of the Listing Rules.

Galaxy Financial Holdings is the controlling shareholder of the Company holding approximately 51.16% of the total number of issued shares of the Company, and is therefore a connected person of the Company. Galaxy Investment is a wholly-owned subsidiary of Galaxy Financial Holdings and also a connected person of the Company. Accordingly, the transactions under the Lease Contracts constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the total value of the right-of-use assets to be recognised by the Group under the Lease Contracts is more than 0.1% but less than 5%, the transactions under the Lease Contracts are subject to the reporting and announcement requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

The Board announces that (i) the Company will enter into the Lease Contract I with Galaxy Investment, (ii) Galaxy Jinhui, a wholly-owned subsidiary of the Company, will enter into the Lease Contract II with Galaxy Investment, and (iii) Galaxy Capital, a wholly-owned subsidiary of the Company, will enter into the Lease Contract III with Galaxy Investment, pursuant to which, the Company, Galaxy Jinhui and Galaxy Capital (each as a lessee) will continue to lease the office premises and/or parking spaces located in the Corporate Square, Beijing from Galaxy Investment (as the lessor). The parties intend to sign the Lease Contracts by 15 September 2020.

PRINCIPAL TERMS OF THE LEASE CONTRACTS

Lease Contract I

- Parties:
- (a) the Company (as lessee)
 - (b) Galaxy Investment (as lessor)
- Properties: Floors 4, 5, 7, 9, 15 and 18 (total area of 13,711.84 square metres) and certain units on floor 2 (1,609.90 square metres), certain units on floor 3 (1,891.90 square metres), certain units on floor 6 (1,316.24 square metres), certain units on floor 10 (2,002.38 square metres), certain units on floor 11 (1,921.53 square metres), certain units on floor 12 (1,435.65 square metres) and certain units on floor 17 (1,571.42 square metres) in Tower C, Corporate Square, No. 35 Finance Street, Xicheng District, Beijing, the PRC, with a total gross floor area of 25,460.86 square metres as office premises.
- Parking spaces: 77 parking spaces located at Tower C, Corporate Square, No. 35 Finance Street, Xicheng District, Beijing, the PRC.
- Lease term: 14 months from 1 January 2020 to 28 February 2021.
- Rent: The rent of the properties is RMB16.50 per square metre of floor area per day, and the rent of the parking spaces is RMB1,250 per month for each parking space. During the lease term, the rent of the properties and parking spaces payable by the Company is RMB179,891,780.75 in total.

- Payment arrangement:
- The rent shall be paid by the Company to Galaxy Investment in three instalments:
- The Company shall pay the rent for the period from 1 January 2020 to 30 September 2020 to Galaxy Investment within 15 business days from the date of signing of the Lease Contract I;
 - The Company shall pay the rent for the period from 1 October 2020 to 31 December 2020 to Galaxy Investment within 15 business days from the date of receipt of the invoice to be issued by Galaxy Investment in early October 2020;
 - The Company shall pay the rent for the period from 1 January 2021 to 28 February 2021 to Galaxy Investment within 15 business days from the date of receipt of the invoice to be issued by Galaxy Investment in early January 2021.

The above rent will be funded by the Group's internal resources.

Lease Contract II

- Parties:
- (a) Galaxy Jinhui (as lessee)
 - (b) Galaxy Investment (as lessor)
- Properties:
- Units 607, 612, 616 and 617 on floor 6 (total area of 1,095.48 square meters) (the "**Floor 6 Units**"), and units 1137 to 1140 on floor 11 (total area of 490.11 square meters) (the "**Floor 11 Units**") in Tower C, Corporate Square, No. 35 Finance Street, Xicheng District, Beijing, the PRC, with a total gross floor area of 1,585.59 square meters as office premises.
- Lease term:
- The lease term of the Floor 6 Units is 14 months from 1 January 2020 to 28 February 2021, and the lease term of the Floor 11 Units is 309 days from 26 April 2020 to 28 February 2021.
- Rent:
- The rent is RMB16.50 per square metre of floor area per day. During the lease term, the rent payable by Galaxy Jinhui is RMB10,180,879.34 in total.

- Payment arrangement:
- The rent shall be paid by Galaxy Jinhui to Galaxy Investment in three instalments:
- Galaxy Jinhui shall pay the rent for the period from 1 January 2020 to 30 September 2020 to Galaxy Investment within 15 business days from the date of receipt of the invoice to be issued by Galaxy Investment upon signing of the Lease Contract II;
 - Galaxy Jinhui shall pay the rent for the period from 1 October 2020 to 31 December 2020 to Galaxy Investment within 15 business days from the date of receipt of the invoice to be issued by Galaxy Investment in early October 2020;
 - Galaxy Jinhui shall pay the rent for the period from 1 January 2021 to 28 February 2021 to Galaxy Investment within 15 business days from the date of receipt of the invoice to be issued by Galaxy Investment in early January 2021.

The above rent will be funded by the Group's internal resources.

Lease Contract III

- Parties:
- (a) Galaxy Capital (as lessee)
 - (b) Galaxy Investment (as lessor)
- Properties: Units 203 and 206 and three working stations on floor 2 in Tower C, Corporate Square, No. 35 Finance Street, Xicheng District, Beijing, the PRC, with a total gross floor area of 323.64 square meters as office premises.
- Lease term: 14 months from 1 January 2020 to 28 February 2021.
- Rent: The rent is RMB16.50 per square metre of floor area per day. During the lease term, the rent payable by Galaxy Capital is RMB2,269,525.50 in total.

- Payment arrangement: The rent shall be paid by Galaxy Capital to Galaxy Investment in three instalments:
- Galaxy Capital shall pay the rent for the period from 1 January 2020 to 30 September 2020 to Galaxy Investment within 15 business days from the date of receipt of the invoice to be issued by Galaxy Investment upon signing of the Lease Contract III;
 - Galaxy Capital shall pay the rent for the period from 1 October 2020 to 31 December 2020 to Galaxy Investment within 15 business days from the date of receipt of the invoice to be issued by Galaxy Investment in early October 2020;
 - Galaxy Capital shall pay the rent for the period from 1 January 2021 to 28 February 2021 to Galaxy Investment within 15 business days from the date of receipt of the invoice to be issued by Galaxy Investment in early January 2021.

The above rent will be funded by the Group's internal resources.

VALUE OF THE RIGHT-OF-USE ASSETS

In accordance with IFRS 16 "Leases", the total value of the right-of-use assets to be recognised by the Group in respect of the lease of properties under the Lease Contracts is approximately RMB178,332,070, which is the present value of the total lease payments under the Lease Contracts. A discount rate of 3.67% is adopted in calculating the present value of the total lease payments.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTIONS

The Group has been using the above properties as office premises for its headquarters and branches since 2007. The entering into of the Lease Contracts can provide the Group with stable and necessary office premises to satisfy its business operation needs. The rents under the Lease Contracts have been arrived at after arm's length negotiations between the parties with reference to the prevailing market rents of similar properties in the location. The Company considers that the rents under the Lease Contracts are fair and reasonable.

The Directors (including the independent non-executive Directors) consider that the Lease Contracts are entered into in the ordinary course of business of the Group and on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole. As Mr. LIU Dingping, Ms. XIAO Lihong and Mr. ZHANG Tianli hold positions in Galaxy Financial Holdings and/or Central Huijin, they have abstained from voting on the relevant resolution of the Board to approve the transactions under the Lease Contracts.

LISTING RULES IMPLICATIONS

In accordance with IFRS 16 “Leases”, the Company will recognise right-of-use assets in its consolidated statement of financial position in respect of the lease of properties under the Lease Contracts. Accordingly, the transactions under the Lease Contracts will be regarded as an acquisition of assets by the Group for the purpose of the Listing Rules.

Galaxy Financial Holdings is the controlling shareholder of the Company holding approximately 51.16% of the total number of issued shares of the Company, and is therefore a connected person of the Company. Galaxy Investment is a wholly-owned subsidiary of Galaxy Financial Holdings and also a connected person of the Company. Accordingly, the transactions under the Lease Contracts constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the total value of the right-of-use assets to be recognised by the Group under the Lease Contracts is more than 0.1% but less than 5%, the transactions under the Lease Contracts are subject to the reporting and announcement requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Company is a leading integrated financial services provider in the PRC securities industry, providing comprehensive securities services, including brokerage, sales and trading, as well as investment banking and investment management.

Galaxy Jinhui is a wholly-owned subsidiary of the Company. Its major business is securities assets management.

Galaxy Capital is a wholly-owned subsidiary of the Company. Its major business is to use proceeds from fund raising activities for project investment and investment management.

Galaxy Investment, established in August 2000, is a wholly-owned subsidiary of Galaxy Financial Holdings. Galaxy Investment is mainly engaged in investment business and assets management business, and forms a business model comprising direct equity investment, private placement and securities investment. Galaxy Investment was registered as a private equity fund manager in 2014 and obtained the qualification as a private equity assets allocation manager in 2019.

Galaxy Financial Holdings is an investment holding company with its business scope covering the investment and management of securities, funds, insurance, trust and banking. Galaxy Financial Holdings is held as to approximately 69.07% by Central Huijin, 29.32% by the Ministry of Finance of the PRC and 1.61% by the National Council for Social Security Fund. Central Huijin is ultimately wholly owned by the PRC central government.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“A Shares”	domestic shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
“Board”	the board of Directors of the Company
“Central Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司), a limited liability company incorporated in the PRC, which holds an equity interest of approximately 69.07% of Galaxy Financial Holdings
“Company”	China Galaxy Securities Co., Ltd., a joint stock company with limited liability incorporated in the PRC on 26 January 2007, whose H Shares are listed on the Stock Exchange (Stock Code: 06881) and A Shares are listed on the Shanghai Stock Exchange (Stock Code: 601881)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Galaxy Capital”	Galaxy Capital Management Company Limited (銀河創新資本管理有限公司), a limited liability company incorporated in the PRC, and a wholly-owned subsidiary of the Company
“Galaxy Financial Holdings”	China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司), a limited liability company incorporated in the PRC, and the controlling shareholder of the Company holding approximately 51.16% of the total number of issued shares of the Company
“Galaxy Investment”	China Galaxy Investment Management Company Limited (中國銀河投資管理有限公司), a limited liability company incorporated in the PRC, and a wholly-owned subsidiary of Galaxy Financial Holdings
“Galaxy Jinhui”	Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), a limited liability company incorporated in the PRC, and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries

“H Shares”	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Lease Contract I”	the property lease contract to be entered into between the Company and Galaxy Investment
“Lease Contract II”	the property lease contract to be entered into between Galaxy Jinhui and Galaxy Investment
“Lease Contract III”	the property lease contract to be entered into between Galaxy Capital and Galaxy Investment
“Lease Contracts”	Lease Contract I, Lease Contract II and Lease Contract III
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

By order of the Board
China Galaxy Securities Co., Ltd.
CHEN Gongyan
Chairman and Executive Director

Beijing, the PRC
28 August 2020

As at the date of this announcement, the executive Directors are Mr. CHEN Gongyan (Chairman) and Mr. CHEN Liang (Vice Chairman and President); the non-executive Directors are Mr. LIU Dingping, Ms. XIAO Lihong, Mr. ZHANG Tianli and Ms. WANG Zelan; and the independent non-executive Directors are Mr. LIU Ruizhong, Mr. WANG Zhenjun, Ms. LIU Chun and Mr. LAW Cheuk Kin Stephen.