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

CONNECTED TRANSACTION REDEMPTION OF FUND

The Board announces that the Company intends to redeem, through an asset management plan managed by Galaxy Jinhui, its entire interests in the Fund. The Fund is a money market fund issued by the Galaxy Fund. The principal amount of the Company's investment in the Fund is RMB500,000,000, and the proceeds from the Redemption are estimated to be RMB534,481,009.57.

Galaxy Financial Holdings is the controlling shareholder of the Company holding approximately 51.16% of the total issued shares of the Company, and is therefore a connected person of the Company. Galaxy Fund, owned as to 50% equity interest by Galaxy Financial Holdings, is a non-wholly owned subsidiary of Galaxy Financial Holdings, and is therefore a connected person of the Company. As such, the Redemption constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of the Redemption is more than 0.1% but less than 5%, the Redemption is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempted from the independent shareholders' approval requirement.

BACKGROUND

On 26 December 2018, the Company subscribed for the Fund issued by Galaxy Fund in the amount of RMB500,000,000 through an asset management plan managed by Galaxy Jinhui and pursuant to the *Securities and Financial Products Transactions Framework Agreement* between the Company and Galaxy Financial Holdings then in force.

THE REDEMPTION

The Company intends to redeem, through an asset management plan managed by Galaxy Jinhui, its entire interests in the Fund. Galaxy Jinhui (as the Fund holder) will submit an application for redemption to Galaxy Fund (as the Fund manager), and Galaxy Fund will pay the redemption price and the dividends of the Fund on the day following the confirmation of the application for redemption. The redemption price is calculated based on the net asset value of the Fund on the date of application for redemption. Based on the net asset value of the Fund on the date of this announcement, the redemption price is estimated to be RMB511,809,734.88. The dividends are determined based on the market performance of the financial assets invested by the Fund. Based on the information on dividends provided by the Fund on the date of this announcement, the dividends of the Group derived from the investments of the Fund are estimated to be RMB22,671,274.69. No redemption fee is payable by the Group in respect of the Redemption.

FINANCIAL IMPACT OF THE REDEMPTION

The proceeds from the Redemption are estimated to be RMB534,481,009.57 (including the redemption price of RMB511,809,734.88 and the dividends of RMB22,671,274.69). The Group is expected to record a gain from the Redemption of RMB34,481,009.57, being the difference between the proceeds from the Redemption and the initial subscription price of the Fund redeemed. The actual gain or loss recorded by the Group in connection with the Redemption is subject to audit.

The proceeds from the Redemption are proposed to be used for the general working capital of the Group and to finance its future investments.

INFORMATION OF THE FUND

The Fund invests mainly in: (i) cash; (ii) bank deposits, bond repurchases, central bank bills and interbank certificates of deposit with maturity within one year (inclusive); (iii) bonds, asset-backed securities and non-financial corporate debt financing instruments with a remaining term within 397 days (inclusive); and (iv) other money market instruments as recognised by laws and regulations or by the China Securities Regulatory Commission and the People's Bank of China which are of good liquidity.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTION

Having considered the expected return on the Redemption, the Directors consider that the Redemption represents a good opportunity for the Group to realise its investment, allowing it to reallocate the Group's resources to other existing businesses.

The Directors (including the independent non-executive Directors) consider that the Redemption is entered into in the ordinary course of business of the Group, on normal commercial terms, is fair and reasonable and in the interests of the Company and its shareholders as a whole. As Mr. LIU Dingping, Mr. YANG Tijun, Ms. LIU Chang and Mr. LIU Zhihong hold positions in or receive remunerations from Galaxy Financial Holdings and/or Central Huijin, they have abstained from voting on the resolution of the Board to approve the Redemption.

LISTING RULES IMPLICATIONS

Galaxy Financial Holdings is the controlling shareholder of the Company holding approximately 51.16% of the total issued shares of the Company, and is therefore a connected person of the Company. Galaxy Fund, owned as to 50% equity interest by Galaxy Financial Holdings, is a non-wholly owned subsidiary of Galaxy Financial Holdings, and is therefore a connected person of the Company. As such, the Redemption constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of the Redemption is more than 0.1% but less than 5%, the Redemption is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempted from the independent shareholders' approval requirement.

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 scope is securities assets management.

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 owned as to approximately 69.07%, 29.32% and 1.61% by Central Huijin, the Ministry of Finance of the PRC and the National Council for Social Security Fund, respectively. Central Huijin is ultimately wholly owned by the Central Government of the PRC.

Galaxy Fund is a non-wholly owned subsidiary of Galaxy Financial Holdings and its major business scope is public fund raising, sales and asset management. It has formed a business model focusing on public fund management, sales and asset management and was registered as a public fund manager in 2002.

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, holding 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
“Fund”	the Galaxy Qianbao Money Market Fund (銀河錢包貨幣市場基金) issued by the Galaxy Fund
“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 issued shares of the Company
“Galaxy Fund”	Galaxy Fund Management Company Limited (銀河基金管理有限公司), a limited liability company incorporated in the PRC, which is owned as to 50% by Galaxy Financial Holdings and a non-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
“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
“Redemption”	redemption of investments in the Fund in the principal amount of RMB500,000,000
“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
30 August 2021

As at the date of this announcement, the executive directors of the Company are Mr. CHEN Gongyan (Chairman) and Mr. CHEN Liang (Vice Chairman and President); the non-executive directors are Mr. LIU Dingping, Mr. YANG Tijun, Ms. LIU Chang, Mr. LIU Zhihong and Mr. JIANG Yuesheng; and the independent non-executive directors are Mr. LIU Ruizhong, Mr. WANG Zhenjun, Ms. LIU Chun and Mr. LAW Cheuk Kin Stephen.