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

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND GALAXY FINANCIAL HOLDINGS IN RELATION TO DEALER-QUOTED BOND REPURCHASE TRANSACTIONS

The Board announces that on 27 June 2016, the Company entered into the Framework Agreement with Galaxy Financial Holdings, pursuant to which the Company will conduct dealer-quoted bond repurchase transactions with Galaxy Financial Holdings in the inter-bank market and pay financing interests to Galaxy Financial Holdings during the term of the Framework Agreement. The Company will conduct such transactions with Galaxy Financial Holdings on a voluntary and non-exclusive basis.

Galaxy Financial Holdings is the controlling shareholder of the Company holding approximately 54.71% of the total issued shares of the Company, and is therefore a connected person of the Company. As such, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. As the applicable percentage ratios as set out in the Listing Rules represented by the annual caps of the continuing connected transactions (whether on a standalone basis or in aggregate with the dealer-quoted bond repurchase transactions between the Company and Galaxy Fund, details of which are set out in the announcement of the Company dated 24 February 2016) are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

BACKGROUND

The Board announces that on 27 June 2016, the Company entered into the Framework Agreement with Galaxy Financial Holdings, pursuant to which the Company will conduct dealer-quoted bond repurchase transactions with Galaxy Financial Holdings in the inter-bank market and pay financing interests to Galaxy Financial Holdings during the term of the Framework Agreement. The Company will conduct such transactions with Galaxy Financial Holdings on a voluntary and non-exclusive basis.

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS

Parties

- The Company
- Galaxy Financial Holdings

Nature of transactions

The Company and Galaxy Financial Holdings will conduct dealer-quoted bond repurchase transactions on normal commercial terms in accordance with applicable laws and regulations and general market practices. Pursuant to the Framework Agreement, Galaxy Financial Holdings will provide financing to the Company, which will be secured by the bond assets of the Company, and the Company will pay financing interests to Galaxy Financial Holdings in respect of the financing provided by Galaxy Financial Holdings.

Pricing and payment

The financing interests shall be determined by the parties through arm's length negotiation based on the prevailing market price pursuant to the Implementing Rules for the Operation of Bond Investment Business in the Inter-Bank Market (《銀行間市場債券投資業務操作實施細則》) of the Company. The market price is generally determined by reference to the weighted average price of financing interests of dealer-quoted bond repurchase transactions with a similar duration on the date of transaction, and having regard to the supply and demand of capital in the market at the time when such transaction is conducted. The weighted average price of the financing interests may be obtained from Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), an independent integrated financial data service provider in the PRC, and the Company pays a fee to access such information.

Pursuant to the relevant PRC laws and regulations, details of any bond transactions with connected persons (such as the dealer-quoted bond repurchase transactions under the Framework Agreement), including the amount of financing interests, shall be filed with the China Foreign Exchange Trading System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心) ("CFETS") and disclosed to the market through the trading system of the CFETS. The transaction price (i.e. financing interests in the case of dealer-quoted bond repurchase transactions) shall be subject to the regulation of the CFETS. If the transaction price deviates from the market price, the transaction parties shall explain the pricing basis and the reasons for such deviation in writing to the CFETS on the date of transaction, and provide the relevant supporting materials as required by the CFETS. The CFETS shall also have the right to conduct investigations on the transaction parties in this regard and report any findings thereof to the People's Bank of China.

Term

The Framework Agreement shall take effect upon signing by the parties and shall expire on 31 December 2017.

ANNUAL CAPS

The Company estimates that the annual caps of the transactions in relation to the dealer-quoted bond repurchase transactions between the Company and Galaxy Financial Holdings under the Framework Agreement for the two years ending 31 December 2017 will be as follows:

	<i>RMB million</i>	
	For the year ending 31 December 2016	For the year ending 31 December 2017
Value of the bond assets pledged by the Company to Galaxy Financial Holdings	560	560
Amount of financing provided by Galaxy Financial Holdings to the Company	500	500
Financing interests payable by the Company to Galaxy Financial Holdings	1.75	1.75

In determining the amount of financing provided by Galaxy Financial Holdings to the Company, the Company has considered its financing needs; in determining the value of the bond assets pledged by the Company to Galaxy Financial Holdings, the Company has considered the discount rate between the value of the pledged assets and the amount of financing under dealer-quoted bond repurchase transactions in the market in recent years; in determining the financing interests payable by the Company to Galaxy Financial Holdings, the Company has considered the financing interest rate of dealer-quoted bond repurchase transactions in the market in recent years, and estimated the financing interest rate to be within the range of 1.8% to 9% per annum.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Galaxy Financial Holdings is a member of the inter-bank market and has the qualification to conduct dealer-quoted bond repurchase transactions. The provision of financing by Galaxy Financial Holdings to the Company can effectively expand the financing channels of the Company, and alleviate its demand for capital at the end of each quarter. The Company and Galaxy Financial Holdings have established an efficient and smooth business cooperation relationship. Hence, the selection of Galaxy Financial Holdings by the Company as its counterparty to the transactions can effectively mitigate the credit risk and operational risk of its relevant businesses.

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the Framework Agreement are entered into in the ordinary course of business and on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the annual caps of the continuing connected transactions are fair and reasonable. As Directors Mr. Gu Weiguo and Mr. Du Ping hold positions in Galaxy Financial Holdings, they have abstained from voting on the resolution of the Board for the approval of the continuing connected transactions contemplated under the Framework Agreement.

LISTING RULES IMPLICATIONS

Galaxy Financial Holdings is the controlling shareholder of the Company holding approximately 54.71% of the total issued shares of the Company, and is therefore a connected person of the Company. As such, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. As the applicable percentage ratios as set out in the Listing Rules represented by the annual caps of the continuing connected transactions (whether on a standalone basis or in aggregate with the dealer-quoted bond repurchase transactions between the Company and Galaxy Fund, details of which are set out in the announcement of the Company dated 24 February 2016) are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

GENERAL

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 Financial Holdings is an investment holding company with its business scope covering the investment and management of securities, funds, insurance, trust and banking.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board”	the board of Directors
“Company”	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a joint stock limited company incorporated in the PRC on 26 January 2007, whose H shares are listed on the Stock Exchange
“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 directors of the Company
“Framework Agreement”	the Framework Agreement in relation to the Dealer-quoted Bond Repurchase Transactions entered into between the Company and Galaxy Financial Holdings on 27 June 2016
“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 on 8 August 2005, whose equity interest is held as to approximately 78.57% by Central Huijin Investment Ltd. (中央匯金投資有限責任公司) and approximately 21.43% by the Ministry of Finance of the PRC, and the controlling shareholder 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 on 14 June 2002, in which Galaxy Financial Holdings holds an equity interest of 50%, and a subsidiary of Galaxy Financial Holdings
“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”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macao 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.
Gu Weiguo
Vice Chairman and Executive Director

Beijing, the PRC
28 June 2016

As at the date of this announcement, the executive Directors of the Company are Mr. GU Weiguo and Mr. WU Chengming; the non-executive Directors of the Company are Mr. DU Ping, Mr. SHI Xun, Mr. ZHANG Jinghua and Mr. LI Chaoyang; and the independent non-executive Directors of the Company are Mr. LIU Feng, Mr. LUO Lin, Mr. WU Yuwu and Mr. CHI Fulin.