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

ANNOUNCEMENT

CONNECTED TRANSACTION ACQUISITION OF 12% EQUITY INTEREST IN GALAXY DERIVATIVES

Reference is made to the announcement of the Company dated 26 July 2018 in relation to the proposed disposal by Galaxy Financial Holdings of its 12% equity interest in Galaxy Derivatives through the public listing-for-sale process organized by the BFAE, and the proposed participation of Galaxy Futures, a non-wholly owned subsidiary of the Company, in the public listing-for-sale process.

The Board announces that Galaxy Futures has won the bid for the 12% equity interest in Galaxy Derivatives at a total consideration of RMB66,673,000 through the public listing-for-sale process organized by the BFAE. On 16 August 2018, Galaxy Futures and Galaxy Financial Holdings entered into the Equity Transfer Agreement in respect of the Transaction. As at the date of this announcement, Galaxy Derivatives is held as to 88% by Galaxy Futures and 12% by Galaxy Financial Holdings, and is therefore a non-wholly owned subsidiary of Galaxy Futures. Upon completion of the Transaction, Galaxy Derivatives will become a wholly-owned subsidiary of Galaxy Futures.

Galaxy Futures is a non-wholly owned subsidiary of the Company. Galaxy Financial Holdings is the controlling shareholder of the Company, holding approximately 50.94% of the total issued shares of the Company, and is therefore a connected person of the Company. As such, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Transaction are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 26 July 2018 in relation to the proposed disposal by Galaxy Financial Holdings of its 12% equity interest in Galaxy Derivatives through the public listing-for-sale process organized by the BFAE, and the proposed participation of Galaxy Futures, a non-wholly owned subsidiary of the Company, in the public listing-for-sale process.

The Board announces that Galaxy Futures has won the bid for the 12% equity interest in Galaxy Derivatives at a total consideration of RMB66,673,000 through the public listing-for-sale process organized by the BFAE. On 16 August 2018, Galaxy Futures and Galaxy Financial Holdings entered into the Equity Transfer Agreement in respect of the Transaction. As at the date of this announcement, Galaxy Derivatives is held as to 88% by Galaxy Futures and 12% by Galaxy Financial Holdings, and is therefore a non-wholly owned subsidiary of Galaxy Futures. Upon completion of the Transaction, Galaxy Derivatives will become a wholly-owned subsidiary of Galaxy Futures.

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Date

16 August 2018

Parties

Purchaser: Galaxy Futures

Vendor: Galaxy Financial Holdings

Interest to be acquired

Pursuant to the Equity Transfer Agreement, Galaxy Financial Holdings agreed to sell and Galaxy Futures agreed to acquire 12% equity interest in Galaxy Derivatives.

Consideration and payment

The total consideration of the Transaction is RMB66,673,000, which is the listing price (i.e. the minimum bidding price) specified in the public listing-for-sale document. The total consideration of the Transaction was arrived at as a result of the successful bidding by Galaxy Futures through the public listing-for-sale process. Based on the value of the 100% shareholders' equity of Galaxy Derivatives as at 30 June 2017, being RMB498,471,200, as appraised by an independent valuer using the asset-based approach, the appraised value of the 12% equity interest in Galaxy Derivatives is approximately RMB59,816,500. The listing price was determined with reference to the above appraised value and taking into account the operating results of Galaxy Derivatives for the first half of 2018.

The total consideration of the Transaction shall be funded by the internal resources of the Group, and payable in cash by Galaxy Futures in the following manner:

- (i) Security deposit: Galaxy Futures has paid the security deposit of RMB20,000,000 to the bank account designated by the BFAE. Upon execution of the Equity Transfer Agreement, the security deposit will automatically be converted into part of the total consideration; and
- (ii) Remaining consideration: Galaxy Futures shall pay the remaining consideration to the bank account designated by the BFAE within five days following the execution of the Equity Transfer Agreement.

Within five business days from the date of its receipt of the remaining consideration, the BFAE shall transfer the total consideration received from Galaxy Futures (including the security deposit and the remaining consideration) to the bank account designated by Galaxy Financial Holdings.

Completion

Galaxy Futures and Galaxy Financial Holdings shall apply to the BFAE for a transaction certificate after the total consideration is fully paid by Galaxy Futures, and shall cooperate with Galaxy Derivatives to complete the relevant procedures for the change of registration with the authority for industrial and commercial administration within five business days from the date of receipt of the transaction certificate. Completion of the Transaction shall take place on the date of completion of the change of registration with the authority for industrial and commercial administration.

The gains or losses of Galaxy Derivatives during the period from the date of the Equity Transfer Agreement to the date of completion of the Transaction shall be enjoyed or assumed by Galaxy Futures.

INFORMATION ON GALAXY DERIVATIVES

Galaxy Derivatives, established in April 2014, has a registered capital of RMB500 million. It is principally engaged in warehouse receipt service, pricing service, cooperation hedging, basis trading, market-making business and other businesses relating to risk management services.

As at the date of this announcement, Galaxy Derivatives is held as to 88% by Galaxy Futures and 12% by Galaxy Financial Holdings, and is therefore a non-wholly owned subsidiary of Galaxy Futures. The total capital contribution made by Galaxy Financial Holdings to Galaxy Derivatives amounted to RMB60 million. Upon completion of the Transaction, Galaxy Derivatives will become a wholly-owned subsidiary of Galaxy Futures, and its accounts will continue to be consolidated into the accounts of the Group.

Based on the financial statements of Galaxy Derivatives prepared in accordance with the China Accounting Standards for Business Enterprises, its key financial data for the two years ended 31 December 2017 and for the six months ended 30 June 2018 are as follows:

	As at 31 December 2016 (Audited)	As at 31 December 2017 (Audited)	<i>Unit: RMB</i> As at 30 June 2018 (Unaudited)
Total assets	509,794,733.52	525,306,373.11	770,646,856.48
Net assets	503,683,186.21	499,754,320.08	506,209,472.56
	For the year ended 31 December 2016 (Audited)	For the year ended 31 December 2017 (Audited)	For the six months ended 30 June 2018 (Unaudited)
Profit (loss) before taxation	3,378,598.52	(4,584,065.16)	6,455,152.48
Profit (loss) after taxation	2,562,142.71	(3,928,866.13)	6,455,152.48

REASONS FOR AND BENEFITS OF THE TRANSACTION

Galaxy Financial Holdings intended to dispose of its 12% equity interest in Galaxy Derivatives. Galaxy Derivatives is currently a non-wholly owned subsidiary of Galaxy Futures, and operates its business in a market environment that is highly competitive and requires high efficiency in decision-making. Through the Transaction, Galaxy Derivatives will become a wholly-owned subsidiary of Galaxy Futures, which will strengthen Galaxy Futures' management over Galaxy Derivatives, enhance efficiency in decision-making and optimize corporate governance process.

The Directors (including the independent non-executive Directors) consider that the Transaction is entered into in the ordinary course of business of the Group and on normal commercial terms, and is fair and reasonable and in the interests of the Company and its shareholders as a whole. As Mr. Chen Gongyan, Mr. Gu Weiguo, Mr. Du Ping, Mr. Shi Xun and Mr. Liu Dingping may be regarded as having a material interest in the Transaction, they have abstained from voting on the resolution of the Board for the approval of the Transaction.

LISTING RULES IMPLICATIONS

Galaxy Futures is a non-wholly owned subsidiary of the Company. Galaxy Financial Holdings is the controlling shareholder of the Company, holding approximately 50.94% of the total issued shares of the Company, and is therefore a connected person of the Company. As such, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Transaction are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but is 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, sale and trading, as well as investment banking and investment management.

Galaxy Futures is principally engaged in commodity futures brokerage, financial futures brokerage and futures investment consulting and asset management businesses.

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 expressions have the following meanings:

“BFAE”	the Beijing Financial Assets Exchange
“Board”	the board of Directors of the Company
“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: 6881) 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
“Equity Transfer Agreement”	the <i>Agreement for the Transfer of Non-listed State-owned Equity of Financial Enterprises</i> entered into between Galaxy Futures (as purchaser) and Galaxy Financial Holdings (as vendor) on 16 August 2018 in respect of the Transaction
“Galaxy Derivatives”	Galaxy Derivatives Capital Management Company Limited (銀河德睿資本管理有限公司), a limited liability company incorporated in the PRC, which is a non-wholly owned subsidiary of Galaxy Futures as at the date of this announcement, and will become a wholly-owned subsidiary of Galaxy Futures upon completion of the Transaction
“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, whose equity interest is held as to approximately 69.07% by Central Huijin Investment Ltd. and approximately 30.93% by the Ministry of Finance of the PRC, and the controlling shareholder of the Company
“Galaxy Futures”	Galaxy Futures Company Limited (銀河期貨有限公司), a limited liability company incorporated in the PRC, whose equity interest is held as to approximately 83.32% by the Company, and a non-wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries

“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
“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
“Transaction”	the acquisition of 12% equity interest in Galaxy Derivatives by Galaxy Futures from Galaxy Financial Holdings pursuant to the Equity Transfer Agreement

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

Beijing, the PRC
16 August 2018

As at the date of this announcement, the executive Directors of the Company are Mr. CHEN Gongyan (Chairman), Mr. GU Weiguo (Vice Chairman) and Mr. WU Chengming; the non-executive Directors are Mr. DU Ping, Mr. SHI Xun, Mr. LIU Dingping and Mr. LI Chaoyang; and the independent non-executive Directors are Mr. WANG Zhenjun, Mr. LUO Lin, Mr. WU Yuwu and Mr. LIU Ruizhong.