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

ANNOUNCEMENT

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS UNDER THE SECURITIES AND FINANCIAL SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 21 December 2018 in relation to the securities and financial services framework agreement entered into between the Company and Galaxy Financial Holdings on 2 May 2013 and its renewal on 29 December 2015 and 21 December 2018. Such agreement will expire on 31 December 2021.

The Board announces that the Company intends to enter into the New Framework Agreement with Galaxy Financial Holdings on or before 31 December 2021. Pursuant to the New Framework Agreement, the Group will continue to provide securities and financial services to Galaxy Financial Holdings Group in its ordinary course of business during the period from 1 January 2022 to 31 December 2024, which include (1) securities brokerage services, (2) sales agency services, (3) leasing of exchange trading units, and (4) other relevant securities and financial services. The Group will receive service charges and commissions from Galaxy Financial Holdings Group for the provision of such services, and pay interest to Galaxy Financial Holdings Group in respect of its funds entrusted to the Group in connection with such services.

Galaxy Financial Holdings is the controlling shareholder of the Company holding approximately 51.16% of the issued share capital of the Company, and is therefore a connected person of the Company. As such, the transactions under the New 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 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

Reference is made to the announcement of the Company dated 21 December 2018 in relation to the securities and financial services framework agreement entered into between the Company and Galaxy Financial Holdings on 2 May 2013 and its renewal on 29 December 2015 and 21 December 2018. Such agreement will expire on 31 December 2021.

The Board announces that the Company intends to enter into the New Framework Agreement with Galaxy Financial Holdings on or before 31 December 2021. Pursuant to the New Framework Agreement, the Group will continue to provide securities and financial services to Galaxy Financial Holdings Group in its ordinary course of business during the period from 1 January 2022 to 31 December 2024, which include (1) securities brokerage services, (2) sales agency services, (3) leasing of exchange trading units, and (4) other relevant securities and financial services. The Group will receive service charges and commissions from Galaxy Financial Holdings Group for the provision of such services, and pay interest to Galaxy Financial Holdings Group in respect of its funds entrusted to the Group in connection with such services.

PRINCIPAL TERMS OF THE NEW FRAMEWORK AGREEMENT

Parties

- The Company
- Galaxy Financial Holdings

Provision of securities and financial services to Galaxy Financial Holdings Group

Pursuant to the New Framework Agreement, the Group shall provide securities and financial services to Galaxy Financial Holdings Group on normal commercial terms, which include (1) securities brokerage services, (2) sales agency services, (3) leasing of exchange trading units, and (4) other relevant securities and financial services. The Group will receive service charges and commissions from Galaxy Financial Holdings Group for the provision of such services, and pay interest to Galaxy Financial Holdings Group in respect of its funds entrusted to the Group in connection with such services.

Pricing and payment

Pursuant to the New Framework Agreement, the service charges and commissions payable by Galaxy Financial Holdings Group to the Group for the provision of securities and financial services and the interest payable by the Group to Galaxy Financial Holdings Group for the entrusted funds shall be determined on arm's length negotiation between the parties with reference to the prevailing market rates in accordance with the applicable laws and regulations.

The commissions for the provision of securities brokerage services and leasing of exchange trading units will be determined by the Group based on the securities trading volume with reference to the commissions charged by the Group for the provision of similar services to independent third parties; the service charges for the provision of sales agency services will be determined by the Group based on the amount of products for agency sale with reference to the service fee rates charged by the Group for the agency sale of similar products to independent third parties; the service charges and commissions for the provision of other relevant securities and financial services will be determined by the Group based on the nature of the transactions with reference to the prevailing market rates in accordance with the applicable laws and regulations. The interest payable by the Group to Galaxy Financial Holdings Group for the entrusted funds will be determined by the Group based on the interest rate for RMB current savings as published by the People's Bank of China from time to time.

The commissions of securities brokerage services shall be payable on a daily basis; the service charges of sales agency services shall be payable according to the terms of the respective contracts entered into between the parties for the agency sale of various products; the commissions of leasing of exchange trading units shall be payable on a quarterly basis; the payment of service charges and commissions for other relevant securities and financial services shall be further agreed by the parties based on the nature of the transactions. The Group shall pay interest to Galaxy Financial Holdings Group for the entrusted funds on a quarterly basis.

Before determining the prices with Galaxy Financial Holdings Group, the Group will make reference to the prices of similar transactions with independent third parties, and the terms (including the prices) of the provision of securities and financial services by the Group to Galaxy Financial Holdings Group will be no less favourable to the Group than those entered into by the Group with independent third parties. In accordance with the Administrative Measures for Connected Transactions of the Company, the relevant business department will submit an application for each connected transaction which contains the details of the counterparty, the nature of the transaction and the prices (including the reference prices with independent third parties) to the legal department, following which the connected transaction will be submitted to the general office for further review. The Company considers that the methods and procedures adopted above can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

Term

The New Framework Agreement will have a term from 1 January 2022 to 31 December 2024.

ANNUAL CAPS

Historical transaction figures

For the two years ended 31 December 2020 and the ten months ended 31 October 2021, the historical amounts of service charges and commissions charged by the Group for the provision of securities and financial services to Galaxy Financial Holdings Group were approximately RMB56.37 million, RMB62.91 million and RMB37.32 million, respectively.

For the two years ended 31 December 2020 and the ten months ended 31 October 2021, the historical amounts of the interest paid by the Group to Galaxy Financial Holdings Group for the entrusted funds were approximately RMB1.27 million, RMB1.06 million and RMB0.33 million, respectively.

Annual caps

The Company estimates that the annual caps of the service charges and commissions payable by Galaxy Financial Holdings Group to the Group for the provision of securities and financial services under the New Framework Agreement for the three years ending 31 December 2024 will be RMB458 million, RMB499 million and RMB541 million, respectively. In addition, the Company estimates that the annual caps of the interest payable by the Group to Galaxy Financial Holdings Group for the entrusted funds under the New Framework Agreement for the three years ending 31 December 2024 will be RMB25 million, RMB30 million and RMB35 million, respectively.

Basis of the annual caps

The amount of service charges and commissions charged by the Group for the provision of securities and financial services to Galaxy Financial Holdings Group, as well as the amount of interest payable by the Group to Galaxy Financial Holdings Group for the entrusted funds, are closely related to the trading volume of stocks and the size of market funds. In determining the annual caps for the three years ending 31 December 2024, the Company has taken into account various factors, such as the historical figures of the continuing connected transactions, the fluctuation of stock market in the past three years, the expansion of the size of capital market, the increase in the number of institutional investors, the establishment of the Beijing Stock Exchange, and the possible growth of transaction volume between the parties.

Capital market has been highly volatile in recent years. For example, the Shanghai Composite Index rose from the lowest point of 2,449 in 2018 to the highest point of 3,731 in 2021, an increase of approximately 52%; the trading volume of the Shanghai and Shenzhen stock markets rose from RMB89.77 trillion in 2018 to RMB250.98 trillion in 2021 (as at 23 December 2021), an increase of approximately 180%; the scale of domestic public funds increased from RMB12,925,429 million as at 31 December 2018 to RMB24,532,210 million as at 30 November 2021, an increase of approximately 90%. As the scale of transactions between the Group and Galaxy Financial Holdings Group is closely related to the capital market conditions and taking into account the volatility of the capital market, the Company considers that the annual caps for the three years ending 31 December 2024 are reasonable despite that they represent a relatively large increase as compared to the historical figures.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group has been providing securities and financial services to Galaxy Financial Holdings Group in its ordinary course of business. For the purpose of enhancing the business management and efficiency of the parties, the Company and Galaxy Financial Holdings entered into the New Framework Agreement.

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions contemplated under the New 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 Mr. LIU Dingping, Ms. LIU Chang, Mr. LIU Zhihong and Mr. YANG Tijun 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 New Framework Agreement.

LISTING RULES IMPLICATIONS

Galaxy Financial Holdings is the controlling shareholder of the Company holding approximately 51.16% of the issued share capital of the Company, and is therefore a connected person of the Company. As such, the transactions under the New 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 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 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 Financial Holdings is an investment holding company with its business scope covering the investment and management of securities, funds, insurance, trust and banking. The shareholders of Galaxy Financial Holdings are Central Huijin Investment Ltd. with 69.07% equity interest, the Ministry of Finance of the PRC with 29.32% equity interest and the National Council for Social Security Fund with 1.61% equity interest.

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
“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 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, and the controlling shareholder of the Company
“Galaxy Financial Holdings Group”	Galaxy Financial Holdings and its subsidiaries
“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
“New Framework Agreement”	the securities and financial services framework agreement to be entered into between the Company and Galaxy Financial Holdings
“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
23 December 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.