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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
UNDER THE SECURITIES AND FINANCIAL PRODUCTS TRANSACTIONS
FRAMEWORK AGREEMENT**

References are made to the announcements of the Company dated 17 May 2017, 6 June 2017 and 22 June 2017 and the circular of the Company dated 7 June 2017 in relation to, among others, the Original Framework Agreement entered into between the Company and Galaxy Financial Holdings on 6 June 2017. After the expiry of the Original Framework Agreement on 31 December 2019, the Company has assessed the implications of its securities and financial products transactions with Galaxy Financial Holdings under the Listing Rules on an individual basis and complied with the relevant disclosure requirements under the Listing Rules in respect of specific transactions (if required).

The Board announces that the Company intends to enter into the New Framework Agreement with Galaxy Financial Holdings, pursuant to which the Group will continue to conduct securities and financial products transactions with Galaxy Financial Holdings Group on normal commercial terms in its ordinary course of business during the period up to 31 December 2025. The Group will conduct such transactions with Galaxy Financial Holdings Group on a voluntary and non-exclusive basis.

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. As such, the transactions under the New Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios as defined under the Listing Rules in respect of each of (i) the cap amounts of the total net inflow and total net outflow of securities and financial products transactions (excluding financing transactions), and (ii) the maximum daily balance (including the accrued interest) of the financing provided by Galaxy Financial Holdings Group to the Group through collateralized securities repurchase transactions, are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.90 of the Listing Rules, financings provided by Galaxy Financial Holdings Group to the Group, other than collateralized securities repurchase transactions, are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements, as such transactions constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

Somerley Capital Limited, a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions under the New Framework Agreement.

The Company will seek approval from the Independent Shareholders in respect of the transactions under the New Framework Agreement at the forthcoming annual general meeting. A circular containing, among other things, the details of the New Framework Agreement, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, will be dispatched to the shareholders of the Company. As the Company requires additional time to prepare and finalize certain information for inclusion in the circular, it will dispatch the circular to its shareholders on or about 5 June 2023.

In view of Galaxy Financial Holdings' interest in the transactions under the New Framework Agreement, Galaxy Financial Holdings will abstain from voting at the annual general meeting to approve the transactions under the New Framework Agreement. The Company will enter into the New Framework Agreement with Galaxy Financial Holdings after the approval from the Independent Shareholders is obtained at the annual general meeting.

BACKGROUND

References are made to the announcements of the Company dated 17 May 2017, 6 June 2017 and 22 June 2017 and the circular of the Company dated 7 June 2017 in relation to, among others, the Original Framework Agreement entered into between the Company and Galaxy Financial Holdings on 6 June 2017. After the expiry of the Original Framework Agreement on 31 December 2019, the Company has assessed the implications of its securities and financial products transactions with Galaxy Financial Holdings under the Listing Rules on an individual basis and complied with the relevant disclosure requirements under the Listing Rules in respect of specific transactions (if required).

The Board announces that the Company intends to enter into the New Framework Agreement with Galaxy Financial Holdings, pursuant to which the Group will continue to conduct securities and financial products transactions with Galaxy Financial Holdings Group on normal commercial terms in its ordinary course of business during the period up to 31 December 2025. The Group will conduct such transactions with Galaxy Financial Holdings Group on a voluntary and non-exclusive basis.

PRINCIPAL TERMS OF THE NEW FRAMEWORK AGREEMENT

Parties

- (i) The Company; and
- (ii) Galaxy Financial Holdings

Type of transactions

The Group will continue to conduct securities and financial products transactions with Galaxy Financial Holdings Group on normal commercial terms in its ordinary course of business, which mainly include:

- (i) Securities products with fixed income features – including, but not limited to, bonds, funds, trusts, wealth management products, asset management plans, assets securitization products, bond lending and borrowing, structured products, income certificates, swaps, futures, forwards, options and other financial products with fixed income features;
- (ii) Fixed income related derivative products – including, but not limited to, interest rates and credit derivatives;
- (iii) Equity related products – including, but not limited to, trading and/or subscription of shares (including market-making activities on the National Equities Exchange and Quotation), funds, trusts, wealth management products, asset management products and equity derivatives (such as income swaps, futures, options and convertible bonds);
- (iv) Financing transactions – financing transactions among financial institutions with or without guarantees/pledges including, but not limited to, repurchase, usufruct, asset securitization, holding of debt certificates such as short-term commercial papers, subordinated debts and corporate bonds; and
- (v) Other related securities and financial products transactions permitted by the regulatory authorities – including, but not limited to, futures, foreign exchange and bulk commodities trading, options and trading of securities and financial products in the over-the-counter market (including over-the-counter derivatives).

Pricing basis

The securities and financial products transactions, whether conducted in the PRC interbank bond market, the PRC exchange market, the open-ended fund market or other over-the-counter market, shall be conducted on normal commercial terms at the prevailing market prices or market rates of similar transactions with independent third parties. Transactions in the interbank bond market shall be conducted at the prices quoted in the interbank bond market; transactions in the exchange market shall be conducted at the prevailing market prices in the relevant stock exchanges; transactions in the open-ended fund market shall be priced based on the unit net value of fund products on the date of transaction;

transactions in the over-the-counter market shall be determined based on the pricing models of securities and financial products in the over-the-counter market (including over-the-counter derivatives) or by reference to the expected changes in the prices of the underlying targets. The pricings of such transactions are subject to the strict PRC regulatory supervision and the requirements of applicable PRC laws and regulations.

In terms of subscriptions by the Group of the securities and financial products issued by Galaxy Financial Holdings Group and subscription by Galaxy Financial Holdings Group of the securities and financial products issued by the Group, the price and other terms of the subscription shall be on normal commercial terms and the same as those offered to all other investors at the time of their subscription.

In terms of financing transactions, the parties shall conduct such transactions on normal commercial terms at the prevailing market prices or market rates of similar transactions with independent third parties. It is expected that the financing transactions under the New Framework Agreement will mainly include the provision of financing by Galaxy Financial Holdings Group to the Group (including collateralized securities repurchase transactions). Collateralized securities repurchase involves the pledge of securities of the Group, including bonds, shares and structured funds as collateral, to obtain financing from Galaxy Financial Holdings Group, and the Group agrees to repay the funds obtained on a future date to release the pledge. Other than collateralized securities repurchase, the Group is not required to pledge its assets for other financing provided by Galaxy Financial Holdings Group to the Group.

The financing interest rate of collateralized securities repurchase shall be determined by the parties through arm's length negotiation based on the prevailing market price pursuant to the Company's internal policy, the Implementing Rules for Management of Bonds Proprietary Trading Business 《(債券自營業務管理實施細則)》. The market price is generally determined by reference to the weighted average financing interest rate of collateralized securities repurchase transactions with a similar duration on the date of transaction, and having regard to the supply and demand of capital in the market on the date of transaction and the weighted average financing interest rate of the preceding trading day. The weighted average financing interest rate is published by the China Foreign Exchange Trading System & National Interbank Funding Centre (中國外匯交易中心暨全國銀行間同業拆借中心, "NIFC") on a daily basis. The Group will ascertain from time to time that the terms (including the securities to be collateralized and financing period) and interest rates offered by Galaxy Financial Holdings Group are comparable to those offered to independent third party customers of Galaxy Financial Holdings Group (by obtaining terms and interest rates from other major commercial banks to ensure that such terms and interest rates are also comparable to those offered by other comparable financial institutions in the market), so as to ensure the terms and interest rates offered by Galaxy Financial Holdings Group are on normal commercial terms and in line with the prevailing market rates.

Term

The Company will enter into the New Framework Agreement with Galaxy Financial Holdings after the approval from the Independent Shareholders is obtained. The New Framework Agreement shall take effect from the date of execution by the parties and remain in force until 31 December 2025.

After the New Framework Agreement takes effect, the Income Certificate Subscription and Redemption Framework Agreement (《收益憑證認購與贖回框架協議》) entered into between the Company and Galaxy Financial Holdings on 4 November 2022 (the “Income Certificate Agreement”, details of which are set out in the announcement of the Company dated 27 October 2022) will be terminated, and the transactions thereunder and the relevant annual caps will be incorporated into and governed by the New Framework Agreement.

CAP AMOUNTS

Historical transaction figures

Securities and financial products transactions (excluding financing transactions)

For the six years ended 31 December 2022, the historical amounts for the securities and financial products transactions (excluding financing transactions) between the Group and Galaxy Financial Holdings Group were as follows:

	<i>RMB in million</i>					
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Securities and financial products transactions (excluding financing transactions)						
Total net inflow (Note 1)	7,724	3,439	2,454	–	535	50
Total net outflow (Note 2)	7,345	3,517	2,903	11	–	50

Note 1: includes the cash inflow of the Group generated from the subscription by Galaxy Financial Holdings Group of securities products with fixed income features, fixed income related derivative products and equity related products issued by the Group, and the cash inflow of the Group generated from its redemption of the relevant products issued by Galaxy Financial Holdings Group and subscribed for by the Group.

Note 2: includes the cash outflow of the Group generated from the redemption by Galaxy Financial Holdings Group of securities products with fixed income features, fixed income related derivative products and equity related products issued by the Group and subscribed for by Galaxy Financial Holdings Group, and the cash outflow of the Group generated from its subscription of the relevant products issued by Galaxy Financial Holdings Group.

Note 3: After the expiry of the Original Framework Agreement on 31 December 2019, the Company has assessed the implications of its securities and financial products transactions with Galaxy Financial Holdings under the Listing Rules on an individual basis and complied with the relevant disclosure requirements under the Listing Rules in respect of specific transactions (if required).

Financing transactions

For the six years ended 31 December 2022, the historical amounts for the financing transactions between the Group and Galaxy Financial Holdings Group were as follows:

RMB in million

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Financing transactions						

The maximum daily balance (including the accrued interest) of the financing provided by Galaxy Financial Holdings Group to the Group through collateralized securities repurchase transactions

150	–	794	–	–	–
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Cap amounts

Securities and financial products transactions (excluding financing transactions)

The Company estimates that the cap amounts for the securities and financial products transactions (excluding financing transactions) between the Group and Galaxy Financial Holdings Group under the New Framework Agreement for the three years ending 31 December 2025 will be as follows:

RMB in million

	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
Securities and financial products transactions (excluding financing transactions)			
Total net inflow (Note 1)	25,500	30,900	39,100
Total net outflow (Note 2)	26,000	31,400	39,700

Note 1: includes the cash inflow of the Group generated from the subscription by Galaxy Financial Holdings Group of securities products with fixed income features, fixed income related derivative products and equity related products issued by the Group, and the cash inflow of the Group generated from its redemption of the relevant products issued by Galaxy Financial Holdings Group and subscribed for by the Group.

Note 2: includes the cash outflow of the Group generated from the redemption by Galaxy Financial Holdings Group of securities products with fixed income features, fixed income related derivative products and equity related products issued by the Group and subscribed for by Galaxy Financial Holdings Group, and the cash outflow of the Group generated from its subscription of the relevant products issued by Galaxy Financial Holdings Group.

Financing transactions

The Company estimates that the cap amounts for the financing transactions between the Group and Galaxy Financial Holdings Group under the New Framework Agreement for the three years ending 31 December 2025 will be as follows:

	<i>RMB in million</i>		
	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
Securities and financial products transactions (excluding financing transactions)			

The maximum daily balance (including the accrued interest) of the financing provided by Galaxy Financial Holdings Group to the Group through collateralized securities repurchase transactions

5,300	5,300	5,300
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Basis of the cap amounts

In estimating the above cap amounts, the Company has considered the following factors:

- (i) The financial market in the PRC continues to develop and new securities and financial products are constantly issued. For example, (a) according to the information provided by Wind Information Co., Ltd. (上海萬得信息技術股份有限公司, “Wind Information”), an independent information service provider, the scale of bonds issued in the interbank bond market in the PRC increased from approximately RMB34,416.6 billion in 2019 to approximately RMB47,339.7 billion in 2022, representing a growth of approximately 37.5%; (b) according to the information published by the Asset Management Association of China (中國證券投資基金業協會), the total value of the assets managed by fund companies has experienced a substantial growth, in particular, the size of public funds managed by public fund management institutions grew from approximately RMB14,696.6 billion as at 31 December 2019 to approximately RMB26,035.9 billion as at 31 December 2022, representing a growth of approximately 77.2%; the scale of assets managed by private fund management institutions increased from approximately RMB13,738.6 billion as at 31 December 2019 to approximately RMB20,030.0 billion as at 31 December 2022, representing a growth of approximately 45.8%; and (c) according to the statistics of the PBOC, the RMB bonds issued in the PRC bond market increased from approximately RMB45,361.5 billion in 2019 to approximately RMB61,751.5 billion in 2022, representing a growth of approximately 36.1%. Innovative bond products and asset-backed securities products are also introduced to the market from time to time.

- (ii) Along with the continuous development of the financial market in the PRC, the Group also continues to expand its business scale and provide extensive securities and financial products to its customers. The Group has obtained qualifications for engaging in related businesses, including qualifications to conduct national interbank lending business, dealer-quoted bond repurchase business, interest swap business, assets management business, non-equity income swaps business, etc.. The investment scope of the Group now covers cash management, fixed income, equities, derivatives, non-standard financing and asset securitization, etc., enabling the Group to offer diversified securities and financial products and satisfy the demands of its customers in investment and financing. The Group's holding of financial products for sale increased by approximately 71.64% from approximately RMB112.5 billion at the end of 2019 to approximately RMB193.3 billion at the end of 2022; the outstanding balance of the Group's dealer-quoted bond repurchase business on the Shanghai Stock Exchange also increased from approximately RMB10.64 billion at the end of 2019 to approximately RMB23.956 billion at the end of 2022, representing an increase of approximately 125.15%. The development of the industry and the growth of the Group will increase the chances of relevant transactions between the Group and Galaxy Financial Holdings Group.
- (iii) In estimating the cap amounts of the total net inflow and total net outflow of securities and financial products transactions, the Company has considered the development trends of the financial market in the PRC as well as the Group as described above, the plans of the Group and Galaxy Financial Holdings Group for the issue of securities and financial products in the next three years, and the subscription demand of Galaxy Financial Holdings Group for such products.
- (iv) In estimating the maximum daily balance (including the accrued interest) of the financing provided through collateralized securities repurchase transactions, the Company has considered the financing needs of the Group in the next three years and the financing interest rate of collateralized securities repurchase transactions in the market in recent years. According to the monthly reports on the interbank collateralized securities repurchase transactions published by the NIFC, during the period from January 2020 to December 2022, the monthly weighted average interest rate of interbank collateralized securities repurchase transactions with a duration of 7 days ranges from 1.88% per annum to 2.22% per annum.
- (v) After the New Framework Agreement takes effect, the Income Certificate Agreement entered into between the Company and Galaxy Financial Holdings will be terminated, and the transactions thereunder and the relevant annual caps will be incorporated into and governed by the New Framework Agreement. In calculating the cap amounts of securities and financial products transactions (excluding financing transactions) under the New Framework Agreement, the Company has taken into account the cap amount of RMB3,500 million for the subscription or redemption by Galaxy Financial Holdings Group of the income certificates issued by the Group under the Income Certificate Agreement (please refer to the announcement of the Company dated 27 October 2022 for details).

(vi) The Company and Galaxy Financial Holdings did not renew the Original Framework Agreement after its expiry on 31 December 2019, which affected the frequency and scale of the securities and financial products transactions conducted between the parties and thus resulted in a significant decline of the historical transaction figures since 1 January 2020. Galaxy Financial Holdings Group is one of the Group's important institutional customers, and has the intention to allocate its idle funds to subscribe for securities and financial products. It is expected that after the New Framework Agreement takes effect, the scale of transactions between the parties will increase substantially as compared to the historical transaction figures.

PRICING AND INTERNAL CONTROL PROCEDURES

Securities and financial products transactions under the New Framework Agreement will be conducted mainly in the PRC interbank bond market, the PRC exchange market, the open-ended fund market or other over-the-counter market.

The PRC interbank bond market is an open, highly regulated quote-driven market regulated by the PBOC pursuant to the Measures for the Administration of Bond Transactions in the National Interbank Bond Market 《(全國銀行間債券市場債券交易管理辦法)》. Transactions in the interbank bond market must be reported to the NIFC and be supervised by the NIFC, the China Central Depository & Clearing Co. Ltd. (中央國債登記結算有限責任公司, “CCDC”) and the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會, “NAFMII”). According to the relevant PRC rules and regulations, prevailing market prices in the interbank bond market are determined with reference to the bid and offer prices quoted on the NIFC and all transactions, whether conducted through an authorized intermediate money brokerage firm or a market maker or through over-the-counter negotiations, must be reported to the NIFC and reflected in the price quotations provided by the NIFC and CCDC. According to the self-regulatory rules of the NAFMII (i.e. the Self-regulatory Rules for Bond Transaction in Interbank Bond Market 《(銀行間債券市場債券交易自律規則)》), abnormal pricing may result in disciplinary action by the NAFMII, including public criticism. NAFMII is a self-regulatory organization responsible for supervising interbank transactions.

Transactions in the PRC exchange market must be conducted at the prevailing market prices quoted on the relevant PRC stock exchanges. The exchange market is an order-driven market governed by the CSRC.

The Company has access to the NIFC and CCDC systems and systems of the domestic stock exchanges for PRC interbank bond market and PRC exchange market transactions. It also reviews various bond market information published by the NIFC and CCDC and other agents. The Company has also subscribed for information services provided by Wind Information, and has access to information channels and websites of official and voluntary industry regulatory authorities, such as the Asset Management Association of China, Chinamoney.com.cn and Chinabond.com.cn etc., which publish periodic official and voluntary statistics/information on the industry from time to time.

The pricing of transactions in the open-ended fund market is determined based on the unit net value of fund products on the date of transaction. The unit net value of such fund products is calculated by dividing the net asset value of the fund products by the total number of the fund units. The net asset value of the fund products is determined based on the China Accounting Standards for Business Enterprises and in accordance with the relevant requirements of the CSRC and the Asset Management Association of China, and taking into account the fund portfolio consisting of securities, bank deposits, receivables and other investments. The calculation of the unit net value of the fund products is set forth in the relevant fund contract and prospectus, and equally applies to all investors of the fund products. Pursuant to the relevant PRC laws and regulations, the unit net value of the fund products determined by fund managers shall be reviewed and examined by the relevant fund custodian bank and publicly disclosed on the relevant fund manager's website and the designated media of the CSRC.

Transactions in the over-the-counter market shall be determined based on the pricing models of securities and financial products in the over-the-counter market (including over-the-counter derivatives) or by reference to the expected changes in the prices of the underlying targets.

The Company has set various risk control indicators, which include a cap on the percentage of the Group's financing amount to its net capital. The relevant business departments of the Group are required to enter into financing transactions in accordance with the internal guidelines and within such cap, and monitor each financing transaction. In addition, pursuant to the relevant PRC laws and regulations, details of any bond transactions with connected persons (such as the collateralized securities repurchase transactions under the New Framework Agreement), including the amount of financing interests, shall be filed with the NIFC and disclosed to the market through the trading system of the NIFC. The transaction price (i.e. financing interests in the case of collateralized securities repurchase transactions) shall be subject to the regulation of the NIFC. 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 NIFC on the date of transaction, and provide the relevant supporting materials as required by the NIFC. The NIFC shall also have the right to conduct investigations on the transaction parties in this regard and report any findings thereof to the PBOC.

In addition, the Group has established its internal guidelines and policies for conduct of different types of securities and financial products transactions, as well as the internal procedures and systems for approval and supervision of such transactions. Such policies and guidelines set out the requirements for pre-trading pricing enquiries, applicable interest rates, procedures for price determination, approval authority and procedures, record keeping, supervision and review procedures for different types of transactions and businesses.

The relevant business department of the Group is responsible for reviewing and monitoring the actual transaction amounts of various transactions, and reporting the same to the Finance and Capital Department of the Company on a monthly basis. The Finance and Capital Department will summarize the monthly actual transaction amounts of the continuing connected transactions between the Group and Galaxy Financial Holdings Group, and inform the relevant business departments, the General Office and the Audit Department. If the Finance and Capital Department finds that the actual transaction amounts reach 70% of the annual caps, it will notify the General Office which will organize the relevant departments to assess the subsequent business needs to determine whether the annual caps will need to be revised.

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.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The securities and financial products transactions between the Group and Galaxy Financial Holdings Group can facilitate the use of advantageous resources between the parties and create synergies, thus reducing the Group's overall operating costs and general expenditures. The Group is a leading integrated financial services provider in the PRC securities industry, and is able to provide diversified securities and financial products and services to its clients. Galaxy Financial Holdings Group is a financial holding group with the capital market business as its core and the direct investment and financing as its main function. The subscription by Galaxy Financial Holdings Group of the securities and financial products issued by the Group will enlarge the Group's market share, increase its operating income and boost its brand awareness. The subscription by the Group of the securities and financial products issued by Galaxy Financial Holdings Group will be conducive to the Group's expansion of its investment channels.

Further, the Group intends to obtain financing from Galaxy Financial Holdings Group, including conducting collateralized securities repurchase transactions with Galaxy Financial Holdings Group, so as to expand its financing channels and ensure the safety of its capital chain. Galaxy Financial Holdings and its subsidiary, Galaxy Fund Management Company Limited (銀河基金管理有限公司), are qualified to conduct the relevant transactions.

The Directors consider that the transactions under the New Framework Agreement are entered into in the ordinary course of business of the Group, on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the cap amounts of such transactions are fair and reasonable. As Mr. CHEN Liang, Mr. YANG Tijun, Ms. LI Hui, Ms. LIU Chang and Mr. LIU Zhihong hold positions in Galaxy Financial Holdings and/or its holding companies, they have abstained from voting on the resolution of the Board to approve the transactions under the New Framework Agreement.

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. As such, the transactions under the New Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios as defined under the Listing Rules in respect of each of (i) the cap amounts of the total net inflow and total net outflow of securities and financial products transactions (excluding financing transactions), and (ii) the maximum daily balance (including the accrued interest) of the financing provided by Galaxy Financial Holdings Group to the Group through collateralized securities repurchase transactions, are more than 5%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.90 of the Listing Rules, financings provided by Galaxy Financial Holdings Group to the Group, other than collateralized securities repurchase transactions, are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements, as such transactions constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

Somerley Capital Limited, a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions under the New Framework Agreement.

The Company will seek approval from the Independent Shareholders in respect of the transactions under the New Framework Agreement at the forthcoming annual general meeting. A circular containing, among other things, the details of the New Framework Agreement, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, will be dispatched to the shareholders of the Company. As the Company requires additional time to prepare and finalize certain information for inclusion in the circular, it will dispatch the circular to its shareholders on or about 5 June 2023.

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 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:

“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 currently 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
“CSRC”	the China Securities Regulatory Commission
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the Independent Board Committee of the Company formed to consider the transactions under the New Framework Agreement, comprising all independent non-executive Directors, namely Mr. LIU Ruizhong, Mr. WANG Zhenjun, Ms. LIU Chun and Mr. LAW Cheuk Kin Stephen
“Independent Shareholders”	shareholders of the Company other than Galaxy Financial Holdings

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Framework Agreement”	the Securities and Financial Products Transactions Framework Agreement (《證券和金融產品交易框架協議》) to be entered into between the Company and Galaxy Financial Holdings
“normal commercial terms”	has the meaning ascribed to it under the Listing Rules
“Original Framework Agreement”	the Securities and Financial Products Transactions Framework Agreement (《證券和金融產品交易框架協議》) entered into between the Company and Galaxy Financial Holdings on 6 June 2017
“PBOC”	the People’s Bank of China, the central bank of the PRC
“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 Liang
Chairman and Executive Director

Beijing, the PRC
29 March 2023

As at the date of this announcement, the executive Directors of the Company are Mr. CHEN Liang (Chairman) and Mr. WANG Sheng (Vice Chairman and President); the non-executive Directors are Mr. YANG Tijun, Ms. LI Hui, 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.