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

VOLUNTARY ANNOUNCEMENT

ACQUISITION OF 16.68% EQUITY INTEREST IN GALAXY FUTURES

This announcement is made by the Company on a voluntary basis.

The Board announces that on 21 November 2018, the Company and RBS Asia entered into the Equity Transfer Agreement, pursuant to which RBS Asia agreed to sell and the Company agreed to acquire 16.68% equity interest in Galaxy Futures at a consideration of RMB239,424,161. Upon completion of the Transaction, Galaxy Futures will become a wholly-owned subsidiary of the Company.

As at the date of this announcement, Galaxy Futures is a non-wholly owned subsidiary of the Company, which is held as to 83.32% by the Company and 16.68% by RBS Asia. As Galaxy Futures is an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules, RBS Asia is not regarded as a connected person of the Company despite the fact that it is a substantial shareholder of Galaxy Futures. As such, the Transaction does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios of the Transaction are less than 5%, the Transaction does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

BACKGROUND

The Board announces that on 21 November 2018, the Company and RBS Asia entered into the Equity Transfer Agreement, pursuant to which RBS Asia agreed to sell and the Company agreed to acquire 16.68% equity interest in Galaxy Futures at a consideration of RMB239,424,161. Upon completion of the Transaction, Galaxy Futures will become a wholly-owned subsidiary of the Company.

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Date

21 November 2018

Parties

Purchaser: the Company

Vendor: RBS Asia

Interest to be acquired

Pursuant to the Equity Transfer Agreement, RBS Asia agreed to sell and the Company agreed to acquire 16.68% equity interest in Galaxy Futures.

Consideration and payment

The consideration of the Transaction is RMB239,424,161, which will be fully paid by the Company in cash and will be funded by the internal resources of the Company.

The consideration of the Transaction was determined after arm's length negotiations between the parties with reference to the value of the 100% shareholders' equity of Galaxy Futures as at 31 December 2017 as appraised by an independent valuer, as well as the book value of net assets of Galaxy Futures as at 31 December 2017.

Conditions precedent

The Transaction is conditional upon satisfaction or waiver of all the conditions precedent to the SAMR Filing and all the conditions precedent to the completion as set forth below.

(a) Conditions precedent to the SAMR Filing:

- (i) The approval for the Transaction from the Ministry of Finance of the PRC or its local counterparts having been obtained and such approval remaining in full force and effect on the date of completion and not materially altering the terms of the Equity Transfer Agreement;
- (ii) The approval for the Transaction from the China Securities Regulatory Commission having been obtained and such approval remaining in full force and effect on the date of completion and not materially altering the terms of the Equity Transfer Agreement;
- (iii) The approval for the Transaction from the Ministry of Commerce of the PRC or its local counterparts having been obtained and such approval not materially conflicting with, altering or rendering ineffective the terms and conditions of the Equity Transfer Agreement; and

(iv) If the parties become aware that the Transaction shall obtain any additional regulatory approval or consent before submission of the SAMR Filing in accordance with applicable laws, the parties agree to incorporate such new regulatory approval into the conditions precedent to the SAMR Filing.

(b) Conditions precedent to the completion:

(i) The conditions precedent to the SAMR Filing having been satisfied or (to the extent permitted by the laws of the PRC) waived;

(ii) The Company having been registered by the SAMR as the holder of the 16.68% equity interest in Galaxy Futures;

(iii) The tax ruling having been obtained from the PRC tax authority with respect to the amount of taxation due in connection with the consideration of the Transaction and the tax ruling being reasonably satisfactory to RBS Asia;

(iv) The foreign exchange registration in respect of the Transaction having been completed; and

(v) The approval from the State Administration of Foreign Exchange or its local counterparts having been obtained with respect to the remittance of the consideration of the Transaction to the account of RBS Asia.

If RBS Asia has any good reason after acting in good faith to believe that any of the conditions precedent (including the conditions precedent to the SAMR Filing and the conditions precedent to the completion) is not satisfied or waived on or before the date which falls 210 days from the date of the Equity Transfer Agreement, RBS Asia shall have the right to terminate the Equity Transfer Agreement unless the parties unanimously agree to an extension.

Completion

Subject to the satisfaction or (to the extent permitted by the laws of the PRC) waiver of the conditions precedent to the SAMR Filing, the parties agree that an application for the SAMR Filing in connection with the Transaction will be submitted by Galaxy Futures to the SAMR. The Company shall pay the consideration of the Transaction in RMB by wire transfer to the escrow account opened with a custodian bank as recognized by the parties on the second business day following the satisfaction or (to the extent permitted by the laws of the PRC) waiver of the conditions precedent to the SAMR Filing or on such other date as may be agreed between the parties.

Completion shall take place on the second business day following the satisfaction or (to the extent permitted by the laws of the PRC) waiver of all conditions precedent (including the conditions precedent to the SAMR Filing and the conditions precedent to the completion) or on such other date as may be agreed between the parties. On the date of completion, the Company shall instruct the custodian bank to remit the consideration of the Transaction in an equivalent amount in US dollar at the prevailing exchange rate on that day to the account of RBS Asia.

INFORMATION ON GALAXY FUTURES

Galaxy Futures was established in December 2006 with a registered capital of RMB1.2 billion. Galaxy Futures is a member of each of the Shanghai Futures Exchange, the Dalian Commodity Exchange and the Zhengzhou Commodity Exchange, as well as a trading and clearing member of the China Financial Futures Exchange. Galaxy Futures holds qualifications to provide comprehensive services, including futures brokerage, futures investment advisory, asset management services and sale of funds. The futures brokerage services provided by Galaxy Futures cover all futures products in the PRC, including commodities futures such as copper, rebar, soybean, corn, wheat, cotton, sugar, rubber and gold, as well as financial futures such as stock index futures. The futures investment advisory services currently offered by Galaxy Futures include risk management advisory, research and analyses, and formulation of futures trading strategies.

As at the date of this announcement, Galaxy Futures is a non-wholly owned subsidiary of the Company, which is held as to 83.32% by the Company and 16.68% by RBS Asia. Upon completion of the Transaction, Galaxy Futures will become a wholly-owned subsidiary of the Company, and its accounts will continue to be consolidated into the accounts of the Group.

Based on the financial statements of Galaxy Futures 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:

	<i>Unit: RMB</i>		
	As at 31 December 2016 (Audited)	As at 31 December 2017 (Audited)	As at 30 June 2018 (Unaudited)
Total assets	20,796,587,398.16	16,572,941,706.51	18,472,915,446.94
Net assets	1,803,984,874.27	1,854,216,333.36	1,926,497,649.66
	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	249,145,360.90	310,303,272.61	174,988,427.12
Profit (loss) after taxation	183,189,104.71	231,229,867.16	132,845,762.55

REASONS FOR AND BENEFITS OF THE TRANSACTION

RBS Asia intended to dispose of its 16.68% equity interest in Galaxy Futures. The Company exercised its right of first refusal to acquire from RBS Asia its 16.68% equity interest in Galaxy Futures, which is conducive to the continuity and stability of Galaxy Futures' overall operations, helps maintain its steady and promising development trend, and enables it to play an active role in the coordinated development strategy of the Group. Through the Transaction, the Company may consolidate its position in the capital market and enhance its brand influence while obtaining its investment return as the shareholder of Galaxy Futures.

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. No Director is regarded as having a material interest in the Transaction, and accordingly no Director is required to abstain from voting on the resolution of the Board for the approval of the Transaction.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Galaxy Futures is a non-wholly owned subsidiary of the Company, which is held as to 83.32% by the Company and 16.68% by RBS Asia. As Galaxy Futures is an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules, RBS Asia is not regarded as a connected person of the Company despite the fact that it is a substantial shareholder of Galaxy Futures. As such, the Transaction does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios of the Transaction are less than 5%, the Transaction does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

This announcement is made by the Company on a voluntary basis.

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.

RBS Asia, established in July 1985, is mainly engaged in equity investment.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“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
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity interest transfer agreement entered into between the Company (as purchaser) and RBS Asia (as vendor) on 21 November 2018 in respect of the Transaction
“Galaxy Futures”	Galaxy Futures Company Limited (銀河期貨有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly owned subsidiary of the Company as at the date of this announcement and will become a wholly-owned subsidiary of the Company upon completion of the Transaction
“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 region
“RBS Asia”	RBS Asia Futures Limited, a company incorporated in Hong Kong with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“SAMR”	the State Administration for Market Regulation of the PRC or its local counterparts

“SAMR Filing”	the filing with the SAMR by Galaxy Futures of an application for registration of the change of its registered owners and the issue by the SAMR to Galaxy Futures of a new business licence in respect of the Transaction
“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 16.68% equity interest in Galaxy Futures by the Company from RBS Asia 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
21 November 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. 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.