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# **CIMC ENRIC**

## **CIMC Enric Holdings Limited**

### **中集安瑞科控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3899)**

## **CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION**

Reference is made to the announcements of the Company dated 27 October 2014 and 17 December 2015 in relation to the Existing Financial Services Framework Agreement. As the Existing Financial Services Framework Agreement will expire on 31 December 2016, the Company, CIMC Finance and CIMC have entered into the Financial Services Framework Agreement (2016) on 23 December 2016.

Reference is made to the announcement of the Company dated 28 November 2013 in relation to the Existing Master Sales Agreement and the Existing Master Services Agreement and the circular of the Company dated 18 December 2013 in relation to the Existing Master Sales Agreement. As the Existing Master Sales Agreement and the Existing Master Services Agreement will expire on 31 December 2016, the Company and CIMC have entered into the Master Sales Agreement (2016) and the Master Services Agreement (2016) on 23 December 2016.

Reference is also made to the announcement of the Company dated 16 January 2015 in relation to the Existing Master Office Services Agreement, the Existing Master Processing Services Agreement and the Existing Master Procurement Agreement, all to be expired on 31 December 2017. On 23 December 2016, the Company and CIMC entered into the Termination Agreements pursuant to which the three aforementioned agreements will be terminated with effect from 1 January 2017. In place of the said agreements, the Company and CIMC have on the same date entered into the Master Office Services Agreement (2016), the Master Processing Services Agreement (2016) and the Master Procurement Agreement (2016) which will take effect on 1 January 2017.

## **THE LISTING RULES IMPLICATIONS**

As at the date of this announcement, CIMC is a controlling shareholder of the Company indirectly holding approximately 70.79% of the Shares and is therefore a connected person of the Company. As CIMC Finance is wholly-owned by CIMC and therefore is an associate of CIMC, CIMC Finance is also a connected person of the Company. The continuing connected transactions contemplated under (i) the Financial Services Framework Agreement (2016), (ii) the Master Sales Agreement (2016), (iii) the Master Services Agreement (2016), (iv) the Master Office Services Agreement (2016), (v) the Master Processing Services Agreement (2016) and (vi) the Master Procurement Agreement (2016) therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

### **Fully-exempt continuing connected transactions**

Under Rule 14A.90 of the Listing Rules, the Loan Services to be provided by CIMC Finance to the Group contemplated under the Financial Services Framework Agreement (2016) is fully exempt from reporting, announcement, annual review, circular 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.

As the applicable percentage ratios in respect of the annual caps for the continuing connected transactions contemplated under the Financial Services Framework Agreement (2016) (except the Deposit Services and the Loan Services), on an annual basis, are less than 0.1% and the transactions in relation to the Financial Services Framework Agreement (2016) (except the Deposit Services and the Loan Services) are on normal commercial terms and terms that are no less favourable to the Group than those of Independent Third Parties, hence such continuing connected transactions are exempt from reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Partially-exempt continuing connected transactions**

As the applicable percentage ratios in respect of the annual caps for the continuing connected transactions contemplated under each of (i) the Master Services Agreement (2016), (ii) the Master Office Services Agreement (2016), (iii) the Master Processing Services Agreement (2016) and (iv) the Master Procurement Agreement (2016), on an annual basis, are more than 0.1% but less than 5%, the continuing connected transactions thereunder are subject to the reporting, announcement and annual review requirements and are exempt from the circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Non-exempt continuing connected transactions and discloseable transaction**

As the applicable percentage ratios in respect of (i) the Proposed Deposit Annual Caps for the Deposit Services contemplated under the Financial Services Framework Agreement (2016) and (ii) the proposed annual caps for the continuing connected transactions contemplated under the Master Sales Agreement (2016) are higher than 5% and less than 25% and it is expected that the annual consideration under both agreements will be more than HK\$10,000,000, the continuing connected transactions thereunder are subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Deposit Services constitute the provision of financial assistance under Rule 14.04(1) (e) of the Listing Rules and thus a discloseable transaction under Chapter 14 of the Listing Rules.

A circular containing, among other things, (i) a notice of the EGM, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and (iv) further details on (a) the terms of the Financial Services Framework Agreement (2016), the continuing connected transactions of the Deposit Services thereunder, and the Proposed Deposit Annual Caps; and (b) the terms of the Master Sales Agreement (2016), the continuing connected transactions contemplated thereunder and the proposed annual caps for such transactions will be despatched to the Shareholders on or before 26 January 2017 as additional time is required to prepare and finalise certain information in the circular.

## **I. INTRODUCTION**

Reference is made to the announcements of the Company dated 27 October 2014 and 17 December 2015 in relation to the Existing Financial Services Framework Agreement. As the Existing Financial Services Framework Agreement will expire on 31 December 2016, the Company, CIMC Finance and CIMC have entered into the Financial Services Framework Agreement (2016) on 23 December 2016.

Reference is made to the announcement of the Company dated 28 November 2013 in relation to the Existing Master Sales Agreement and the Existing Master Services Agreement and the circular of the Company dated 18 December 2013 in relation to the Existing Master Sales Agreement. As the Existing Master Sales Agreement and the Existing Master Services Agreement will expire on 31 December 2016, the Company and CIMC have entered into the Master Sales Agreement (2016) and the Master Services Agreement (2016) on 23 December 2016.

Reference is also made to the announcement of the Company dated 16 January 2015 in relation to the Existing Master Office Services Agreement, the Existing Master Processing Services Agreement and the Existing Master Procurement Agreement, all to be expired on 31 December 2017. On 23 December 2016, the Company and CIMC entered into the Termination Agreements pursuant to which the three aforementioned agreements will be terminated with effect from 1 January 2017. In place of the said agreements, the Company and CIMC have on the same date entered into the Master Office Services Agreement (2016), the Master Processing Services Agreement (2016) and the Master Procurement Agreement (2016) which will take effect on 1 January 2017.

## **II. THE FINANCIAL SERVICES FRAMEWORK AGREEMENT (2016)**

### **A. Principal terms**

<b>Date</b>	:	23 December 2016
<b>Parties</b>	:	1. the Company (as services user); 2. CIMC Finance (as services provider); and 3. CIMC (as guarantor)

#### *Subject matter:*

Provision of the following financial services by CIMC Finance to the Group for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019:

1. Deposit Services;
2. Loan Services;
3. bill discounting services;
4. foreign exchange settlement and purchasing services;
5. issue of commercial note and guarantee services; and
6. other financial services (including provision of buyer's credit, consumer credit facilities and finance leasing; assistance to payment and receipt of transaction monies; provision of financial and financing consultation, credit reference and related consultation and agency services; arrangement of entrusted loans and entrusted investments; settlement of internal transfers and designing related settlement and clearing scheme; underwriting corporate bonds; and other businesses as permitted by CBRC and other financial regulatory authorities).

The Group utilises the financial services provided by CIMC Finance on a non-exclusive and voluntary basis. The Company has the right to decide whether to maintain its relationship with CIMC Finance as a provider of financial services.

*Condition precedent:*

The Financial Services Framework Agreement (2016) is conditional upon obtaining the necessary authorisations or approvals by the parties thereunder from their respective board of directors, general meeting and/or independent shareholders in accordance with their respective memorandum and articles of associations or similar documents and the relevant provisions of applicable Listing Rules.

*Pricing basis and policy:*

1. Interest receivable from deposits

As to the Deposit Services, the interest rates offered by CIMC Finance for deposits placed by the Group must be higher than (i) the relevant benchmark interest rates for deposits (存款基準利率) set by PBOC from time to time for deposits of similar nature and under similar terms; and (ii) the interest rates provided by other independent commercial banks in the PRC for deposits of similar nature and under similar terms.

2. Interest payable on loans

As to the Loan Services, the interest rates chargeable by CIMC Finance for borrowings by the Group must (i) make reference from the relevant benchmark interest rates for borrowings (貸款基準利率) set by PBOC from time to time for borrowings of similar terms; and (ii) be lower than the interest rates charged by other independent commercial banks in the PRC for borrowings of similar nature and under similar terms.

3. Fees and financial charges for financial services

(a) As to the bill discounting services, the fees chargeable by CIMC Finance and the discount rates charged must not be higher than (i) the relevant benchmark charging rates (if applicable) and benchmark discount rates (if applicable) set by PBOC from time to time for providing discounting services of similar nature and under similar terms; and (ii) the charging rates and discount rates charged by other independent commercial banks in the PRC for providing discounting services of similar nature and under similar terms.

(b) As to the foreign exchange settlement and purchasing services, the fees chargeable by CIMC Finance must not be higher than (i) the relevant benchmark charging rates (if applicable) set by PBOC from time to time for providing foreign exchange settlement and purchasing services of similar nature and under similar terms; and (ii) the charging rates charged

by other independent commercial banks in the PRC for providing foreign exchange settlement and purchasing services of similar nature and under similar terms. The exchange rates offered by CIMC Finance must not be less favourable than (i) the benchmark exchange rates (if applicable) set by PBOC from time to time for the same currency under similar terms; and (ii) the exchange rates offered by other independent commercial banks in the PRC for the same currency under similar terms.

- (c) As to the issue of commercial notes, guarantees services and other financial services, the fees chargeable by CIMC Finance for these services must not be higher than (i) the relevant benchmark charging rates (if applicable) set by PBOC from time to time for providing services of similar nature and under similar terms; and (ii) the fees charged by other independent commercial banks in the PRC for providing services of similar nature and under similar terms.

The Company (or other relevant member(s) of the Group designated by the Company) and CIMC Finance will enter into separate contract(s) with respect to individual transaction contemplated under the Financial Services Framework Agreement (2016) in accordance with the principal terms set out therein.

*Other provisions:*

CIMC Finance shall be liable to the Company if the Group's withdrawal request in respect of the deposits placed by the Group with CIMC Finance (including interests accrued thereon) cannot be honoured as a result of the contractual defaults, misuses or regulatory breaches by CIMC Finance.

*Undertakings by CIMC:*

1. CIMC has made an undertaking to CBRC and undertakes and warrants to the Company under the Financial Services Framework Agreement (2016) that if CIMC Finance encounters or expects to encounter payment difficulties, CIMC will inject capital to CIMC Finance based on the amount needed for resolving the latter's payment difficulties with a view to ensure the normal operation of CIMC Finance.
2. CIMC undertakes joint liability of damages payable by CIMC Finance to the Group for material risks or losses suffered by the Group (including without limitation the amounts of deposits and relevant expenses incurred) as a result of (i) breaches or potential breaches of any PRC laws or regulations by CIMC Finance, (ii) CIMC Finance having or potentially having any material operational problems or payment difficulties, or (iii) non-performance of any provision of or default under the Financial Services Framework Agreement (2016) by CIMC Finance.

*Internal control and risk management measures taken by CIMC Finance:*

1. CIMC Finance shall ensure the secure operation of its fund management information system. The system has passed all the security tests for the internet banking connection with other commercial banks and has attained the safety standard of commercial banks in the PRC, and that the system adopts the CA mode of security certification for ensuring the security of the Group's funds.
2. CIMC Finance guarantees that it will strictly comply with and operate under the group finance company risk management specifications issued by CBRC. CIMC Finance's gearing, liquidity and other ratios under regulation shall comply with the requirements specified by CBRC and other relevant PRC laws and regulations as amended from time to time.
3. CIMC Finance shall at all times monitor its credit risks. If (i) any specific situation arises which may affect the security of the deposits placed by the Group at CIMC Finance, or (ii) any other circumstances occur, which may cause serious concern to the security of the deposits placed by the Group, CIMC Finance shall give written notice to the Group within two business days after such specific situations or circumstances arise, and to take measures to avoid or contain any losses. Once being notified, the Group has the right to withdraw its deposits forthwith.
4. During the term of the Financial Services Framework Agreement (2016), CIMC Finance shall regularly provide the Company with a report on the amount of deposits placed and loans borrowed by the Group to facilitate the Company's monitoring of the transaction amounts between the Group and CIMC Finance and to ensure that such transaction amounts are within the annual caps approved by the Board, the Stock Exchange and/or the Independent Shareholders.
5. CIMC Finance shall provide to the Company internet access to its annual reports.
6. During the term of the Financial Services Framework Agreement (2016), CIMC Finance shall on request provide to the Company for its perusal returns and regulatory reports submitted to the CBRC by CIMC Finance.
7. CIMC Finance shall implement all measures to control risk.



*Termination:*

The Financial Services Framework Agreement (2016) may be unilaterally terminated by the Company if:

1. the Group suffered material risk or loss as a result of (i) breaches of any PRC laws or regulations by CIMC Finance or (ii) non-performance of any provision of or default under the Financial Services Framework Agreement (2016) by CIMC Finance; or
2. the performance of the Financial Services Framework Agreement (2016) by the Company may result in breach or potential breach of laws or regulations (including applicable Listing Rules) effective after the date of the Financial Services Framework Agreement (2016).

**B. Historical figures:**

The historical transaction amounts and the corresponding annual caps of the maximum daily outstanding balance of deposits under the Existing Financial Services Framework Agreement during the relevant years are as follows:

	Annual caps (in RMB) (Note)			Actual amount (in RMB)		
	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2016	For the period from 27 October 2014 to 31 December 2014	For the year ended 31 December 2015	For the 6 months ended 30 June 2016
Maximum daily outstanding balance of deposits	150,000,000	360,000,000	360,000,000	141,749,000	359,499,000	189,352,000

*Note:* Annual caps figures in the table above are derived from the announcements of the Company dated 27 October 2014 and 17 December 2015.

It is expected that the actual amount for the year ending 31 December 2016 will not exceed the proposed annual cap for the corresponding year.



**C. Proposed annual caps and basis for proposed annual caps:**

The proposed annual caps of the Deposit Services for the years ending 31 December 2017, 31 December 2018 and 31 December 2019 under the Financial Services Framework Agreement (2016) are set out below:

	<b>Annual caps (in RMB)</b>		
	For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
Maximum daily outstanding balance of deposits	360,000,000	360,000,000	360,000,000

The proposed annual caps for the maximum daily outstanding balance of deposits have been determined with reference to the Group's historical maximum daily outstanding balance of deposits placed with CIMC Finance, the estimated business growth of the Group, the estimated cash flow and the estimated level of cash to be deposited with CIMC Finance to facilitate settlement of accounts with members of the Group and the CIMC Group.

**D. Reasons for and benefits of entering into the Financial Services Framework Agreement (2016):**

The Group requires cash deposit services, loan services and other financial services in its ordinary course of business which are currently also provided by independent commercial banks and/or financial institutions. Since the Deposit Services, Loan Services and other financial services offered by CIMC Finance contemplated under the Financial Services Framework Agreement (2016) will be of terms no less favourable to the Group than those offered by independent commercial banks and/or financial institutions in the PRC, this represents cost savings to the Group by reducing the amount of finance fees and charges payable. The financial services to be provided by CIMC Finance under the Financial Services Framework Agreement (2016) are also diversified and can meet the business needs of the Group.

With CIMC Finance being a member of the CIMC Group, the Group is expected to benefit from CIMC Finance's better understanding of the operation and business needs of the Group which will allow more expedient and efficient services than those rendered by independent commercial banks and/or financial institutions. For instance, it is expected that the time required for CIMC Finance to examine and approve loans and/or guarantees to be provided to the Group will be shorter than that required by independent commercial banks and/or financial institutions. The dual functions of CIMC Finance in deposit taking from, and lending to, the members of the Group may also facilitate the allocation of financial resources from members of the Group with surplus deposits to members of the Group who are borrowers. CIMC Finance also acts as the central clearing house within the CIMC Group (including members of the Group) which facilitates the settlement of accounts between members of the Group as well as with other members of CIMC Group.

Furthermore, any risk of the Group associated with the placing of deposits with CIMC Finance will be minimised by the guarantee provided by CIMC as set out in the section headed “*II. The Financial Services Framework Agreement (2016) – A. Principal terms – Undertakings by CIMC*”.

The Directors (and in respect of the continuing connected transactions of the Deposit Services contemplated under the Financial Services Framework Agreement (2016) and the Proposed Deposit Annual Caps, excluding the members of the Independent Board Committee who will express their opinion after considering the advice of the Independent Financial Adviser) believe that (i) the terms of the Financial Services Framework Agreement (2016) and the continuing connected transactions of the Deposit Services thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable to the Group than those of Independent Third Parties, and (ii) the terms of the Financial Services Framework Agreement (2016), the continuing connected transactions of the Deposit Services under the Financial Services Framework Agreement (2016) and the Proposed Deposit Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**E. Internal control measures:**

To ensure that the terms of the continuing connected transactions contemplated under the Financial Services Framework Agreement (2016) are on normal commercial terms, and on terms no less favourable to the Group than those offered by independent commercial banks and/or financial institutions in the PRC, the Group has adopted the following internal control measures to monitor the transactions contemplated under the Financial Services Framework Agreement (2016) and to ensure that the transaction are conducted in accordance with the terms thereof:

The Group has an independent finance department with a team of independent professional finance staff, and has adopted a sound internal audit system and a comprehensive financial management system. The Group’s finance department will monitor the maximum daily outstanding balance of the deposits to ensure that the aggregate deposits do not exceed the applicable annual caps. The Group will also maintain bank accounts with independent commercial banks and/or financial institutes. If the balance at the end of any day exceeds the maximum daily balance of deposits, the excess funds will be transferred to the designated bank accounts with an independent commercial bank and/or financial institutes.

Prior to drawing any loan or obtaining any financial services of substantial fees or charges from CIMC Finance, the Group will obtain quotations from independent commercial banks and/or financial institutes for such loan or financial services of similar nature and under similar terms. The Group will enter into the transaction if it believes that the terms of the transaction are no less favourable to the terms available to the Group from other independent commercial banks and/or financial institutes.

The Group will request CIMC Finance to provide information including various financial indicators, such as its asset size at the end of every quarter as well as annual financial statements to enable the Group to monitor and review CIMC Finance's financial condition. If the Group considers that there is any material adverse change in the financial condition of CIMC Finance, the Group will take appropriate measures (including early uplift of deposits and a moratorium on further deposits) to protect the Group's financial position. The Group will, from time to time at our sole discretion, request for the deposits with CIMC Finance to be withdrawn (either in full or in part) to assess and ensure the liquidity and safety of the deposits.

### **III. THE MASTER SALES AGREEMENT (2016)**

#### **A. Principal terms**

**Date** : 23 December 2016

**Parties** : 1. the Company (as seller); and  
2. CIMC (as purchaser)

*Subject matter:*

Sale of products for storage, transportation and processing in the fields of energy, chemical and liquid food (including but not limited to natural gas refueling stations and related equipment, natural gas refueling station trailers, CNG seamless pressure cylinders, CNG trailers, natural gas compressors, LNG trailers and tanks, on-vehicle LNG fuel tanks, cryogenic liquefied gas tanks, compressed specialised gas trailers, tank containers for chemical liquids, liquefied gas and cryogenic liquids, and stainless steel processing and storage tanks for liquid food) by the Group to the CIMC Group for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019.

The sale of the products by the Group to the CIMC Group is for the purposes of (i) enabling the CIMC Group to provide finance leases to the Sales Customers (who are customers of the Group that require finance leases to purchase the products and are referred by the Group to the CIMC Group for that purpose) and/or (ii) the CIMC Group's own manufacturing and business operations.

*Condition precedent:*

The Master Sales Agreement (2016) and the performance of which are conditional upon the obtaining of the necessary approval from the Independent Shareholders.

*Pricing basis and policy:*

The relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Master Sales Agreement (2016) in accordance with the principal terms set out therein. In particular, in case where products of the Group are sold to the CIMC Group for the purpose of enabling the latter to provide finance leases to the Sales Customers, separate tripartite contracts will be entered into among the Sales Customer, the relevant member(s) of the Group and of the CIMC Group, under which the relevant member(s) of the CIMC Group will covenant to pay for the products to be provided by the relevant member(s) of the Group.

The terms, including the payment terms, will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favorable to the Group than terms available to Independent Third Parties.

The price of the products contemplated under the Master Sales Agreement (2016) will be determined in accordance with the estimated cost to be incurred in providing the relevant products (including the estimated cost of raw materials, depreciation of premises/building/equipment used in producing the products, the costs of labour, other incidental costs and the relevant taxes) plus an appropriate profit margin, to be agreed between the Group and the CIMC Group with reference to the profit margin obtained by the Group when the same type of products are provided by the Group to Independent Third Parties and the price offered by the Group's counterparts to their customers for the same type of products at or near the same area in the ordinary course of business and on normal commercial terms.

Regarding the sale of products to the CIMC Group for the purpose of enabling it to provide finance leases to the Sales Customers, within 10 days following the entering into of a tripartite contract for each individual transaction among the Sales Customers, the relevant member(s) of the CIMC Group and of the Group, the CIMC Group will pay 10% of the consideration thereunder as deposit to the Group. The balance of the consideration will be paid within 30 days from the date of acknowledgement of receipt of the products by the CIMC Group or the relevant Sales Customers. Upon the entering into of the tripartite individual contract, the Group will provide a one-year quality guarantee to the Sales Customers during which the Group will provide free repair and maintenance services to the Sales Customers.

## B. Historical figures:

The historical transaction amounts of the Existing Master Sales Agreement and the corresponding annual caps during the relevant years are as follows:

	Annual caps (in RMB) (Note)			Actual amount (in RMB)		
	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2014	For the year ended 31 December 2015	For the 6 months ended 30 June 2016
Existing Master Sales Agreement	840,000,000	1,140,000,000	1,487,000,000	627,421,000	493,324,000	96,688,000

*Note:* Annual caps figures in the table above are derived from the announcement of the Company dated 28 November 2013 and the circular of the Company dated 18 December 2013. The annual caps were approved by the then independent shareholders of the Company in an extraordinary general meeting held on 23 January 2014.

It is expected that the actual amount for the year ending 31 December 2016 will not exceed the proposed annual cap for the corresponding year.

## C. Proposed annual caps and basis for proposed annual caps:

The proposed annual caps for the years ending 31 December 2017, 31 December 2018 and 31 December 2019 under the Master Sales Agreement (2016) are set out below:

	Annual caps (in RMB)		
	For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
Master Sales Agreement (2016)	620,000,000	750,000,000	860,000,000

The proposed annual caps are determined based on the historical transaction amounts under the Existing Master Sales Agreement, the estimated investment in the natural gas equipment to cater for the projected growth in the natural gas consumption in China, the growth of CIMC Group's business, the projected number of products to be sold to the CIMC Group and the forecast in market price of the products (including the forecast increase in the selling price due to inflation).

**D. Reasons for and benefits of entering into the Master Sales Agreement (2016):**

The entering into of the Master Sales Agreement (2016) can help maintain a stable source of revenue for the Group. The Master Sales Agreement (2016) also facilitates Sales Customers in financing their purchase of the Group's products. Since the Group does not provide any finance leasing services, Sales Customers of the Group who may have difficulties in obtaining financing from commercial banks or financial institutions may require finance leasing services provided by the CIMC Group in purchasing the Group's products. Pursuant to the Master Sales Agreement (2016), the Group may refer Sales Customers to the CIMC Group to arrange such finance leases for Sales Customers to pay for the purchase of products. The Master Sales Agreement (2016) will thus enable the Group to retain customers who otherwise might not have the financial resources to purchase the Group's products and thereby increase the Group's revenue.

The Directors (excluding the members of the Independent Board Committee who will express their opinion after considering the advice of the Independent Financial Adviser) believe that (i) the terms of the Master Sales Agreement (2016) and the continuing connected transactions thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable to the Group than those of Independent Third Parties, and (ii) the terms of the Master Sales Agreement (2016), the continuing connected transactions thereunder and the relevant proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**E. Internal control measures:**

To ensure that the terms of the continuing connected transactions contemplated under the Master Sales Agreement (2016) are on normal commercial terms, and on terms no less favourable to the Group than terms available to Independent Third Parties, the Group has adopted the following internal control measures to monitor the transactions contemplated under the Master Sales Agreement (2016) and to ensure that the transactions are conducted in accordance with the terms thereof:

The Group's sales department maintains a price list of the Group's products (the "Product Price List"). The Product Price List is compiled based on (i) the estimated production cost (determined taking into account factors including the estimated cost of materials, the depreciation of premises/building/equipment used in production, the labour cost, incidental production costs and relevant taxes); and (ii) appropriate profit margin to be agreed between the Group and the CIMC Group with reference to the profit margin obtained by the Group when the same type of products are provided by the Group to the Independent Third Parties and the price offered by the Group's counterparts to their customers for the same type of products at or near the same area in the ordinary course of business and on normal commercial terms.

Records of products supplied by the Group to all customers (i.e. including the CIMC Group and Independent Third Parties), which include information relating to identity of the customer, nature of the transaction and transaction amount will be maintained by the Group's sales department. The finance department of the Group will also keep detailed records of the actual production cost of products supplied by the Group to all customers (i.e. including the CIMC Group and Independent Third Parties) and the corresponding profit margin. The Group's sales department is also responsible for keeping track of the price offered by industry counterparts for similar type of products. The senior management of the Group will review and adjust the Product Price List from time to time with reference to such records, as well as prices offered by Group's counterparts for the same type of products in the market (if any).

#### **IV. THE MASTER SERVICES AGREEMENT (2016)**

##### **A. Principal terms**

**Date** : 23 December 2016

**Parties** : 1. the Company (as services provider); and  
2. CIMC (as services user)

*Subject matter:*

Provision of processing services (including but not limited to steel uncoiling, sand blasting, base coat spraying, heat pipes processing, thermal treatment, cylinder processing and other related processing services) and other services related to the processing services such as site leasing, testing and training by the Group to the CIMC Group for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019.

The Group and the CIMC Group may provide services to or receive services from third parties. If the terms and conditions proposed by such third parties are the same as those proposed by the CIMC Group or the Group, priority will be given to the provision of services to or receipt of services from the CIMC Group or the Group.

*Pricing basis and policy:*

The relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Master Services Agreement (2016) in accordance with the principal terms set out therein.

The terms, including the payment terms, will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favorable to the Group than terms available to Independent Third Parties.



The fee of the services contemplated under the Master Services Agreement (2016) will be determined in accordance with the following principles and orders:

1. the Government Determined Rate;
2. (where there is no Government Determined Rate) with reference to market price, being the price at which the same type of services is provided by the Group's counterparts to their customers at or near the same area in the ordinary course of business and on normal commercial terms; and
3. (where there is no Government Determined Rate or relevant market price) the estimated cost incurred in providing the relevant services (including depreciation of premises/building/equipment used in connection with the provision of such services, the costs of labour, other incidental costs and the relevant taxes) plus an appropriate profit margin, to be agreed between the Group and the CIMC Group with reference to the restriction on relevant fees chargeable imposed by the State Administration of Taxation of the PRC and the profit margin obtained by the Group when the same type of services is provided by the Group to the Independent Third Parties in the ordinary course of business and on normal commercial terms.

The CIMC Group will settle such fees for the services within 30 days after receiving the statements and invoices for the services issued by the Group each month.

**B. Historical figures:**

The historical transaction amounts of the Existing Master Services Agreement and the corresponding annual caps during the relevant years are as follows:

	Annual caps (in RMB) (Note)			Actual amount (in RMB)		
	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2014	For the year ended 31 December 2015	For the 6 months ended 30 June 2016
Existing Master Services Agreement	30,000,000	35,000,000	40,000,000	9,396,000	8,665,000	2,016,000

*Note:* Annual caps figures in the table above are derived from the announcement of the Company dated 28 November 2013.

It is expected that the actual amount for the year ending 31 December 2016 will not exceed the proposed annual cap for the corresponding year.

**C. Proposed annual caps and basis for proposed annual caps:**

The proposed annual caps for the years ending 31 December 2017, 31 December 2018 and 31 December 2019 under the Master Services Agreement (2016) are set out below:

	<b>Annual caps (in RMB)</b>		
	For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
Master Services Agreement (2016)	9,500,000	10,000,000	10,500,000

The proposed annual caps are determined based on the historical transaction amounts under the Existing Master Services Agreement, expansion of the Group's capacity in providing the relevant processing services, the expected growth of the Group in view of the economic growth in the PRC, the growth in demand for the processing services from the CIMC Group and the increase in fees due to inflation.

**D. Reasons for and benefits of entering into the Master Services Agreement (2016):**

The CIMC Group is engaged in the business of design, manufacturing and sale of dry containers, reefers, special containers, road transportation vehicles and tank equipment. The CIMC Group would from time to time require subcontracting services to be performed on their raw materials and semi-finished products, with such services being the Group's expertise. The entering into of the Master Services Agreement (2016) will provide the Group with an additional source of revenue. In addition, the Group is able to enjoy handling and transportation cost savings as a result of close proximity of the production facilities of the Group and the CIMC Group.

The Directors (including the independent non-executive Directors) believe that (i) the terms of the Master Services Agreement (2016) and the continuing connected transactions thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable to the Group than those of Independent Third Parties, and (ii) the terms of the Master Services Agreement (2016), the continuing connected transactions thereunder and the relevant proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **E. Internal control measures:**

To ensure that the terms of the continuing connected transactions contemplated under the Master Services Agreement (2016) are on normal commercial terms, and on terms no less favourable to the Group than terms available to Independent Third Parties, the Group has adopted the following internal control measures to monitor the transactions contemplated under the Master Services Agreement (2016) and to ensure that the transactions are conducted in accordance with the terms thereof:

When there is no Government Determined Rate, in determining the market price, the Group has assigned its finance department to ascertain the relevant market price by obtaining quotations from the Group's counterparts for the same type of service at or near the same area (if available).

The finance department of the Group will also maintain records of services supplied by the Group to the CIMC Group and to Independent Third Parties, which include information relating to the identity of the service user, the nature of the transaction, transaction amount, and the actual costs in providing such services (the "Services Records").

In case where there is no relevant market price, the price of the relevant services will be based on the estimated cost to be incurred in providing the relevant services (including the estimated cost of labour, the depreciation of premises/building/equipment used for the services, other incidental costs and the relevant taxes) plus a profit margin of 5%-10% to be fixed by the Group and the CIMC Group with reference to the restriction on relevant fees chargeable imposed by the State Administration of Taxation of the PRC and the Services Records in relation to the same type of service provided by the Group to Independent Third Parties. The senior management of the Group will review and approve the price for each service.

#### **V. THE TERMINATION AGREEMENTS**

On 23 December 2016, the Company and CIMC entered into the Termination Agreements to terminate the Existing Master Office Services Agreement, the Existing Master Processing Services Agreement and the Existing Master Procurement Agreement with effect from 1 January 2017. The termination of the said existing agreements shall not constitute an act of breach, and shall not affect any rights or obligations of the Group and the CIMC Group which have already arisen under those agreements, including the obligation to pay the due and payable product prices/service fees, or the obligation to pay damages or compensation for breach of those agreements.

## **Reasons for and benefits of entering into the Termination Agreements:**

The Company and CIMC mutually agreed to enter into the Termination Agreements to terminate the Existing Master Office Services Agreement, the Existing Master Processing Services Agreement and the Existing Master Procurement Agreement, in order to enter into the Master Office Services Agreement (2016), the Master Processing Services Agreement (2016) and the Master Procurement Agreement (2016). The Directors consider that early termination of those agreements is beneficial to the Company, as the Company may now synchronise the commencement date of the agreements of continuing connected transactions for the sake of simplicity when complying with the disclosure requirements under the Listing Rules.

The Directors (including the independent non-executive Directors) believe that the terms of the transactions contemplated under the Termination Agreements are fair and reasonable, and the transactions contemplated under the Termination Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

## **VI. THE MASTER OFFICE SERVICES AGREEMENT (2016)**

### **A. Principal terms**

**Date** : 23 December 2016

**Parties** : 1. the Company (as services provider); and  
2. CIMC (as services user)

#### *Subject matter:*

Provision of general office services (including but not limited to staff catering, transportation services, supporting services and leasing of office equipment, office premises, dock and other sites and other general office services) by the Group to the CIMC Group for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019.

The Group and the CIMC Group may provide services to or receive services from third parties. If the terms and conditions proposed by such third parties are the same as those proposed by the CIMC Group or the Group, priority will be given to the provision of services to or receipt of services from the CIMC Group or the Group.

#### *Pricing basis and policy:*

The relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Master Office Services Agreement (2016) in accordance with the principal terms set out therein.

The terms, including the payment terms, will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favorable to the Group than terms available to Independent Third Parties.

The fee of the services contemplated under the Master Office Services Agreement (2016) will be determined in accordance with the following principles and orders:

1. the Government Determined Rate;
2. (where there is no Government Determined Rate) with reference to market price, being the price at which the same type of services is provided by the Group's counterparts to their customers at or near the same area in the ordinary course of business and on normal commercial terms; and
3. (where there is no Government Determined Rate or relevant market price) the estimated cost incurred in providing the relevant services (including depreciation of premises/building/equipment used in connection with the provision of such services, the costs of labour, other incidental costs and the relevant taxes) plus an appropriate profit margin, to be agreed between the Group and the CIMC Group with reference to the restriction on relevant fees chargeable imposed by the State Administration of Taxation of the PRC and the profit margin obtained by the Group when the same type of services is provided by the Group to the Independent Third Parties in the ordinary course of business and on normal commercial terms.

## **B. Historical figures:**

The historical transaction amounts of the Existing Master Office Services Agreement and the corresponding annual caps during the relevant years are as follows:

	<b>Annual caps (in RMB) (Note)</b>		<b>Actual amount (in RMB)</b>	
	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2015 (audited)	For the 6 months ended 30 June 2016 (unaudited)
Existing Master Office Services Agreement	18,000,000	20,000,000	15,757,000	5,865,000

*Note:* Annual caps figures in the table above are derived from the announcement of the Company dated 16 January 2015.

It is expected that the actual amount for the year ending 31 December 2016 will not exceed the proposed annual cap for the corresponding year.

**C. Proposed annual caps and basis for proposed annual caps:**

The proposed annual caps for the years ending 31 December 2017, 31 December 2018 and 31 December 2019 under the Master Office Services Agreement (2016) are set out below:

	<b>Annual caps (in RMB)</b>		
	For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
Master Office Services Agreement (2016)	17,000,000	18,500,000	20,000,000

The proposed annual caps are determined based on the historical transaction amounts under the Master Office Services Agreement (2016), the expected usage of the relevant office services by the CIMC Group and relevant expected service fees for each of the relevant services, taking into account the expected growth in the CIMC Group's business, the Group's capacity in providing the services to the CIMC Group and increase in fees due to inflation.

**D. Reasons for and benefits of entering into the Master Office Services Agreement 2016:**

As the Group's office premises, sites and equipment are located within the Group's secured production sites, it is unlikely and less appropriate for the Group to lease its under-utilised office premises, sites and equipment to any Independent Third Parties. The transactions contemplated under the Master Office Services Agreement (2016) increase the utilisation of the Group's otherwise under-utilised premises, sites and equipment and service capacities as well as generate additional revenue streams for the Group.

The Directors (including the independent non-executive Directors) believe that (i) the terms of the Master Office Services Agreement (2016) and the continuing connected transactions thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable to the Group than those of Independent Third Parties, and (ii) the terms of the Master Office Services Agreement (2016), the continuing connected transactions thereunder and the relevant proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **E. Internal control measures:**

To ensure that the terms of the continuing connected transactions contemplated under the Master Office Services Agreement (2016) are on normal commercial terms, and on terms no less favourable to the Group than terms available to Independent Third Parties, the Group has adopted the following internal control measures to monitor the transactions contemplated under the Master Office Services Agreement (2016) and to ensure that the transactions are conducted in accordance with the terms thereof.

Where there is no Government Determined Rate, in determining the market price, the Group has assigned its finance department to ascertain the relevant market price by obtaining quotations from the Group's counterparts for the same type of services at or near the same area (if available).

The finance department of the Group will also maintain records of services supplied by the Group to the CIMC Group and to Independent Third Parties, which include information relating to the identity of the service user, the nature of the transaction, transaction amount and the actual costs providing such services (the "Office Services Records").

In case where there is no relevant market price, the price of the relevant services will be based on the estimated cost to be incurred in providing the relevant services (including the estimated cost of labour, the depreciation of premises/building/equipment used for the services, other incidental costs and the relevant taxes) plus a profit margin ranging from 5% to 10% to be fixed by the Group and the CIMC Group with reference to the restriction on relevant fees chargeable imposed by the State Administration of Taxation of the PRC and the Office Services Records in relation to the same types of services provided by the Group to Independent Third Parties. The senior management of the Group will review and approve the price for each service.

### **VII. THE MASTER PROCESSING SERVICES AGREEMENT (2016)**

#### **A. Principal terms**

<b>Date</b>	:	23 December 2016
<b>Parties</b>	:	1. the Company (as services user); and 2. CIMC (as services provider)



*Subject matter:*

Provision of processing services (including but not limited to steel uncoiling, sand blasting and base coat spraying and other related processing services) and other services related to such processing services (including site leasing) by the CIMC Group to the Group for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019.

The Group and the CIMC Group may receive services from or provide services to third parties. If the terms and conditions proposed by such third parties are the same as those proposed by the Group or the CIMC Group, priority will be given to the provision of services to or receipt of services from the Group or the CIMC Group.

*Pricing basis and policy:*

The relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Master Processing Services Agreement (2016) in accordance with the principal terms set out therein.

The terms, including the payment terms, will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favorable to the Group than terms available from Independent Third Parties.

The fee of the services contemplated under the Master Processing Services Agreement (2016) will be determined in accordance with the following principles and orders:

1. the Government Determined Rate;
2. (where there is no Government Determined Rate) with reference to market price, being the price at which the same type of services is provided by Independent Third Parties to their customers at or near the same area in the ordinary course of business and on normal commercial terms; and
3. (where there is no Government Determined Rate or relevant market price) the estimated cost incurred in providing the relevant services (including depreciation of premises/building/equipment used in connection with the provision of such services, the costs of labour, other incidental costs and the relevant taxes) plus an appropriate profit margin, to be agreed between the Group and the CIMC Group with reference to the restriction on relevant fees chargeable imposed by the State Administration of Taxation of the PRC and the profit margin obtained by the CIMC Group when the same type of services is provided by the CIMC Group to Independent Third Parties in the ordinary course of business and on normal commercial terms.

## B. Historical figures:

The historical transaction amounts of the Existing Master Processing Services Agreement and the corresponding annual caps during the relevant years are as follows:

	Annual caps (in RMB) (Note)		Actual amount (in RMB)	
	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2015 (audited)	For the 9 months ended 30 September 2016 (unaudited)
Existing Master Processing Services Agreement	29,000,000	32,000,000	20,066,000	8,314,000

*Note:* Annual caps figures in the table above are derived from the announcement of the Company dated 16 January 2015.

It is expected that the actual amount for the year ending 31 December 2016 will not exceed the proposed annual cap for the corresponding year.

## C. Proposed annual caps and basis for proposed annual caps:

The proposed annual caps for the years ending 31 December 2017, 31 December 2018 and 31 December 2019 under the Master Processing Services Agreement (2016) are set out below:

	Annual caps (in RMB)		
	For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
Master Processing Services Agreement (2016)	33,000,000	35,000,000	38,000,000

The proposed annual caps are determined based on the historical transaction amounts under the Existing Master Processing Services Agreement, the expected growth in market prices and the expected growth in the business of the Group.

**D. Reasons for and benefits of entering into the Master Processing Services Agreement (2016):**

The Group would from time to time require processing services to be performed on their raw materials and semi-finished products. As some of the members of the CIMC Group are located in close proximity to the Group's subsidiaries, they can offer reliable processing services to the Group on a timely basis. The transactions contemplated under the Master Processing Services Agreement (2016) ensure the supply of reliable processing services on a timely basis to support the growth of the Group's business. In addition, the Group is able to enjoy handling and transportation cost savings as a result of close proximity of the production facilities of the Group and the CIMC Group.

The Directors (including the independent non-executive Directors) believe that (i) the terms of the Master Processing Services Agreement (2016) and the continuing connected transactions thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable to the Group than those of Independent Third Parties, and (ii) the terms of the Master Processing Services Agreement (2016), the continuing connected transactions thereunder and the relevant proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**E. Internal control measures:**

To ensure that the terms of the continuing connected transactions contemplated under the Master Processing Services Agreement (2016) are on normal commercial terms, and on terms no less favourable to the Group than terms available from Independent Third Parties, the Group has adopted the following internal control measures to monitor the transactions contemplated under the Master Processing Services Agreement (2016) and to ensure that the transactions are conducted in accordance with the terms thereof.

The production department of the Group is primarily responsible for the production planning and assessing the requirements for processing services. Prior to entering into any separate contracts with the CIMC Group and upon receiving the quotation from the CIMC Group for such processing service, the production department will ascertain the relevant market price by obtaining quotations from Independent Third Parties for the same or similar service (if available). The Group will obtain such quotations through direct enquiries from established service providers in the area in which the relevant member(s) of the Group requiring such services are located.

The finance and the production departments will compare the quotations and terms supplied by the CIMC Group with those obtained from Independent Third Parties. The terms will be assessed based on the price, quality, or other selection criteria (depending on the specific requirements, if any) of the services. The two aforementioned departments will also consider the corporate background of the counterparty, its reputation and reliability, its ability to conduct the transaction in accordance with the terms of the contract, and at the same time reduce the Group's time and costs of transaction. The pricing terms will be reviewed by the finance department and approved by the senior management.

In case where there is no relevant market price, the finance department of the Group will compare the pricing terms supplied by the CIMC Group with reference to the estimated cost to be incurred in providing the relevant services (including the estimated cost of labour, the depreciation of premises/building/equipment used for the services, other incidental costs and the relevant taxes) plus a profit margin ranging from 5% to 10% to be fixed by the Group and the CIMC Group with reference to the restriction on relevant fees chargeable imposed by the State Administration of Taxation of the PRC and the profit margin obtained by the CIMC Group when the same type of services is provided by the CIMC Group to the Independent Third Parties in the ordinary course of business and on normal commercial terms. The finance department of the Group will obtain statistics from the CIMC Group to ascertain the relevant profit margin obtained by the CIMC Group as against the Independent Third Parties. The pricing terms will be sent to the senior management for approval.

## **VIII. THE MASTER PROCUREMENT AGREEMENT (2016)**

### **A. Principal terms**

**Date** : 23 December 2016

**Parties** : 1. the Company (as purchaser); and  
2. CIMC (as seller)

*Subject matter:*

Procurement of various spare parts and/or raw materials (including but not limited to vehicle chassis, vehicle platforms, operating system, containers and steel) by the Group from the CIMC Group for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019.

The Group and the CIMC Group may purchase spare parts and/or raw materials from or sell spare parts and/or raw materials to third parties. If the terms and conditions proposed by such third parties are the same as those proposed by the Group or the CIMC Group, priority will be given to the sale of spare parts and/or raw materials to or purchase of spare parts and/or raw materials from the Group or the CIMC Group.

*Pricing basis and policy:*

The relevant member(s) of the Group and the relevant member(s) of the CIMC Group will enter into separate contract(s) with respect to the individual transactions contemplated under the Master Procurement Agreement (2016) in accordance with the principal terms set out therein.

The terms, including the payment terms, will be determined on a transaction-by-transaction basis, and on normal commercial terms, or on terms no less favorable to the Group than terms available from Independent Third Parties.

The price of the spare parts and/or raw materials contemplated under the Master Procurement Agreement (2016) will be determined in accordance with the following principles and orders:

1. the Government Determined Rate;
2. (where there is no Government Determined Rate) with reference to market price, being the price at which the same type of spare parts and/or raw materials are provided by Independent Third Parties to the Group at or near the same area in the ordinary course of business and on normal commercial terms; or
3. (where there is no Government Determined Rate or relevant market price) the estimated cost incurred in providing the relevant spare parts and/or raw materials (including costs of the raw materials, depreciation charges, the costs of labour and other production costs) plus an appropriate profit margin, to be agreed between the Group and the CIMC Group with reference to the profit margin obtained by the CIMC Group when the same type of spare parts and/or raw materials are provided by the CIMC Group to Independent Third Parties in the ordinary course of business and on normal commercial terms.

A deposit of 10% of the consideration will be paid within 14 days from the date of signing of the relevant individual contract, and the balance will be paid by the Group within 3 months of confirmation of the actual number and price of the relevant spare parts and/or raw materials.

## B. Historical figures:

The historical transaction amounts of the Existing Master Procurement Agreement and the corresponding annual caps during the relevant years are as follows:

	Annual caps (in RMB) (Note)		Actual amount (in RMB)	
	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2015 (audited)	For the 6 months ended 30 June 2016 (unaudited)
Existing Master Procurement Agreement	340,000,000	390,000,000	99,630,000	42,773,000

*Note:* Annual caps figures in the table above are derived from the announcement of the Company dated 16 January 2015.

It is expected that the actual amount for the year ending 31 December 2016 will not exceed the proposed annual cap for the corresponding year.

## C. Proposed annual caps and basis for proposed annual caps:

The proposed annual caps for the years ending 31 December 2017, 31 December 2018 and 31 December 2019 under the Master Procurement Agreement (2016) are set out below:

	Annual caps (in RMB)		
	For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
Master Procurement Agreement (2016)	177,000,000	211,000,000	246,000,000

The proposed annual caps are determined based on the estimated increase in sale volumes of products that would require spare parts and/or raw materials supplied by CIMC Group with reference to the historical transaction amounts under the Existing Master Procurement Agreement, the expected growth in market prices and the expected growth of the Group.

**D. Reasons for and benefits of entering into the Master Procurement Agreement (2016):**

The CIMC Group is a leading manufacturer of vehicle chassis and vehicle platform in China and has been supplying the Group with quality vehicle chassis and vehicle platforms on a timely basis and at good value. The transactions contemplated under the Master Procurement Agreement (2016) ensure the continuous supply of quality spare parts and/or raw materials to support the growth of the Group's business. In addition, the Group is able to enjoy handling and transportation cost savings as result of close proximity of the production facilities of the Group and the CIMC Group.

The Directors (including the independent non-executive Directors) believe that (i) the terms of the Master Procurement Agreement (2016) and the continuing connected transactions thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable to the Group than those of Independent Third Parties, and (ii) the terms of the Master Procurement Agreement (2016), the continuing connected transactions thereunder and the relevant proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**E. Internal control measures:**

To ensure that the terms of the continuing connected transactions contemplated under the Master Procurement Agreement (2016) are on normal commercial terms, and on terms no less favourable to the Group than terms available from Independent Third Parties, the Group has adopted the following internal control measures to monitor the transactions contemplated under the Master Procurement Agreement (2016) and to ensure that the transactions are conducted in accordance with the terms thereof.

The procurement department of the Group is primarily responsible for assessing the procurement plans. Prior to entering into any separate procurement contracts with the CIMC Group and upon receiving the quotation from the CIMC Group for the procurement, the procurement department will ascertain the relevant market price by obtaining quotations from Independent Third Parties for comparable volume of same or similar spare parts and/or raw materials. The Group will obtain such quotations through direct enquiries from established suppliers of scale at or near the same area or tenders.

The finance and procurement departments will compare the quotations and terms supplied by the CIMC Group with those obtained from Independent Third Parties. The terms will be assessed based on the price, the quality, or other selection criteria (depending on the specific requirements, if any) of the spare parts and/or raw materials. The two aforementioned departments will also consider the corporate background of the counterparty, its reputation and reliability, its ability to conduct the transaction in accordance with the terms of the contract, and at the same time reduce the Group's time and costs of transaction. The pricing terms will be reviewed by the finance department and approved by the senior management.



In case where there is no relevant market price, the finance department of the Group will compare the pricing terms supplied by the CIMC Group with reference to the estimated cost to be incurred in providing the relevant spare parts and/or raw materials (including costs of the raw materials, depreciation charges, the costs of labour and other production costs) plus a profit margin ranging from 5% to 15% to be agreed between the Group and the CIMC Group with reference to the profit margin obtained by the CIMC Group when the same type of spare parts and/or raw materials are provided by the CIMC Group to Independent Third Parties in the ordinary course of business and on normal commercial terms. The finance department of the Group will obtain statistics from the CIMC Group to ascertain the relevant profit margin obtained by the CIMC Group as against the Independent Third Parties. The pricing terms will be sent to the senior management for approval.

## **IX. INFORMATION ON THE PARTIES**

The Group is principally engaged in the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance services for, a wide spectrum of transportation, storage and processing equipment that are widely used among the energy, chemical and liquid food industries.

CIMC is principally engaged in the container manufacturing and service business, road transportation vehicle business, energy, chemical and food equipment business, offshore engineering business and airport facilities equipment business.

CIMC Finance is principally engaged in the provision of financial services to fellow subsidiaries of CIMC.

## **X. IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, CIMC is a controlling shareholder of the Company indirectly holding approximately 70.79% of the Shares and is therefore a connected person of the Company. As CIMC Finance is wholly-owned by CIMC and therefore is an associate of CIMC, CIMC Finance is also a connected person of the Company. The continuing connected transactions contemplated under (i) the Financial Services Framework Agreement (2016), (ii) the Master Sales Agreement (2016), (iii) the Master Services Agreement (2016), (iv) the Master Office Services Agreement (2016), (v) the Master Processing Services Agreement (2016) and (vi) the Master Procurement Agreement (2016) therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

### **Fully-exempt continuing connected transactions**

Under Rule 14A.90 of the Listing Rules, the Loan Services to be provided by CIMC Finance to the Group contemplated under the Financial Services Framework Agreement (2016) is fully exempt from reporting, announcement, annual review, circular 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.

As the applicable percentage ratios in respect of the annual caps for the continuing connected transactions contemplated under the Financial Services Framework Agreement (2016) (except the Deposit Services and the Loan Services), on an annual basis, are less than 0.1% and the transactions in relation to the Financial Services Framework Agreement (2016) (except the Deposit Services and the Loan Services) are on normal commercial terms and terms that are no less favourable to the Group than those of Independent Third Parties, hence such continuing connected transactions are exempt from reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Partially-exempt continuing connected transactions**

As the applicable percentage ratios in respect of the annual caps for the continuing connected transactions contemplated under each of (i) the Master Services Agreement (2016), (ii) the Master Office Services Agreement (2016), (iii) the Master Processing Services Agreement (2016) and (iv) the Master Procurement Agreement (2016), on an annual basis, are more than 0.1% but less than 5%, the continuing connected transactions thereunder (except the Deposit Services and the Loan Services under the Financial Services Framework Agreement (2016)) are subject to the reporting, announcement and annual review requirements and are exempt from the circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Non-exempt continuing connected transactions and discloseable transaction**

As the applicable percentage ratios in respect of (i) the Proposed Deposit Annual Caps for the Deposit Services contemplated under the Financial Services Framework Agreement (2016) and (ii) the proposed annual caps for the continuing connected transactions contemplated under the Master Sales Agreement (2016) are higher than 5% and less than 25% and it is expected that the annual consideration under both agreements will be more than HK\$10,000,000, the continuing connected transactions thereunder are subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Deposit Services constitute the provision of financial assistance under Rule 14.04(1) (e) of the Listing Rules and thus a discloseable transaction under Chapter 14 of the Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders on (i) the Financial Services Framework Agreement (2016), the continuing connected transactions of the Deposit Services contemplated thereunder, and the Proposed Deposit Annual Caps; and (ii) the Master Sales Agreement (2016), the continuing connected transactions contemplated thereunder and the proposed annual caps for such transactions. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held at which ordinary resolutions will be proposed for the approval by the Independent Shareholders of, among other things, (i) the Financial Services Framework Agreement (2016), the continuing connected transactions of the Deposit Services contemplated thereunder, and the Proposed Deposit Annual Caps; and (ii) the Master Sales Agreement (2016), the continuing connected transactions contemplated thereunder and the proposed annual caps for such transactions.

CIMC, through its wholly-owned subsidiaries, Charm Wise (held as to 190,703,000 Shares, representing approximately 9.85% of the total issued share capital of the Company as at the date of this announcement), CIMC HK (held as to 1,140,572,645 Shares, representing approximately 58.89% of the total issued share capital of the Company as at the date of this announcement) and CIMC Tank Equipment (held as to 39,740,566 Shares, representing approximately 2.05% of the total issued share capital of the Company as at the date of this announcement) and their respective associates, holds 1,371,016,211 Shares which represent 70.79% of the issued share capital of the Company as at the date of this announcement. CIMC is a controlling Shareholder and is materially interested in the Deposit Services contemplated under the Financial Services Framework Agreement (2016) and the continuing connected transactions contemplated under the Master Sales Agreement (2016). Accordingly, Charm Wise, CIMC HK and CIMC Tank Equipment and their respective associates will abstain from voting in respect of the such ordinary resolutions to be proposed.

A circular containing, among other things, (i) a notice of the EGM, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and (iv) further details on (a) the terms of the Financial Services Framework Agreement (2016), the continuing connected transactions of the Deposit Services thereunder, and the Proposed Deposit Annual Caps; and (b) the terms of the Master Sales Agreement (2016), the continuing connected transactions contemplated thereunder and the proposed annual caps for such transactions will be despatched to the Shareholders on or before 26 January 2017 as additional time is required to prepare and finalise certain information in the circular.

In view of the directorship(s) and/or senior management position(s) held by Mr. Gao Xiang, Mr. Liu Chunfeng, Mr. Jin Jianlong, Mr. Yu Yuqun, and Mr. Wang Yu, all of whom are directors of the Company, CIMC and/or certain subsidiaries of CIMC, they are deemed to be materially interested in the continuing connected transactions contemplated under the abovementioned agreements and have abstained from voting on the relevant Board resolutions. Other than the aforementioned, none of the other Directors has a material interest in the continuing connected transactions contemplated under the abovementioned agreements.

## Termination Agreements

As the Company and CIMC have on 23 December 2016 entered into the Termination Agreements to terminate the continuing connected transactions under the Existing Master Office Services Agreement, the Existing Master Processing Services Agreement and the Existing Master Procurement Agreement with effect from 1 January 2017, the Company is subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

## XI. DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CBRC”	the China Banking Regulatory Commission
“Charm Wise”	Charm Wise Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of CIMC
“CIMC”	中國國際海運集裝箱(集團)股份有限公司 (China International Marine Containers (Group) Co., Ltd.*), a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange, and the controlling shareholder of the Company
“CIMC Finance”	中集集團財務有限公司 (CIMC Finance Company Ltd.*), a company established in the PRC with limited liability, a wholly-owned subsidiary of CIMC
“CIMC Group”	CIMC and its subsidiaries (but excluding members of the Group) and associates
“CIMC HK”	China International Marine Containers (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of CIMC
“CIMC Tank Equipment”	CIMC Tank Equipment Investment Holdings Company Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of CIMC
“CNG”	compressed natural gas

“Company”	CIMC Enric Holdings Limited, an exempted company incorporated in the Cayman Islands on 28 September 2004 with limited liability under the Companies Law (Revised) of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	the deposit services to be provided by CIMC Finance to the Group contemplated under the Financial Services Framework Agreement (2016)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at which ordinary resolutions will be proposed to approve, among other things, (i) the Financial Services Framework Agreement (2016), the continuing connected transactions of the Deposit Services contemplated thereunder, and the Proposed Deposit Annual Caps; and (ii) the Master Sales Agreement (2016), the continuing connected transactions contemplated thereunder and the proposed annual caps for such transactions
“Existing Financial Services Framework Agreement”	the framework agreement dated 27 October 2014 entered into among the Company, CIMC Finance and CIMC in relation to the provision of financial services by CIMC Finance to the Group for a period commenced on 27 October 2014 and expiring on 31 December 2016, particulars of which are set out in the announcements of the Company dated 27 October 2014 and 17 December 2015
“Existing Master Office Services Agreement”	the master agreement dated 16 January 2015 entered into between the Company and CIMC pursuant to which the Group would provide and the CIMC Group would receive general office services for a period of three years commenced on 1 January 2015 and expiring on 31 December 2017, particulars of which are set out in the announcement of the Company dated 16 January 2015

“Existing Master Processing Services Agreement”	the master agreement dated 16 January 2015 entered into between the Company and CIMC pursuant to which the CIMC Group would provide and the Group would receive processing services for a period of three years commenced on 1 January 2015 and expiring on 31 December 2017, particulars of which are set out in the announcement of the Company dated 16 January 2015
“Existing Master Procurement Agreement”	the master agreement dated 16 January 2015 entered into between the Company and CIMC pursuant to which the Group would procure various spare parts and/or raw materials from the CIMC Group for a period of three years commenced on 1 January 2015 and expiring on 31 December 2017, particulars of which are set out in the announcement of the Company dated 16 January 2015
“Existing Master Sales Agreement”	the master agreement dated 28 November 2013 entered into between the Company and CIMC pursuant to which the Group would sell and the CIMC Group would purchase products for storage, transportation and processing in the fields of energy, chemical and liquid food for a period of three years commenced on 1 January 2014 and expiring on 31 December 2016, particulars of which are set out in the announcement of the Company dated 28 November 2013 and the circular of the Company dated 18 December 2013
“Existing Master Services Agreement”	the master agreement dated 28 November 2013 entered into between the Company and CIMC pursuant to which the Group would provide and the CIMC Group would receive processing services for a period of three years commenced on 1 January 2014 and expiring on 31 December 2016, particulars of which are set out in the announcement of the Company dated 28 November 2013
“Financial Services Framework Agreement (2016)”	the framework agreement dated 23 December 2016 entered into among the Company, CIMC Finance and CIMC in relation to the provision of financial services by CIMC Finance to the Group for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019
“Government Determined Rate”	the rate of fees/prices for a particular type of services/products as determined by laws, regulations, decisions, orders or policies issued by the legitimate government of the place where the relevant services/products are provided (including the government and provincial governments of the PRC) or other regulatory authorities



“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee comprising the independent non-executive Directors
“Independent Financial Adviser”	Innovax Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Deposit Services contemplated under the Financial Services Framework Agreement (2016) (including the Proposed Deposit Annual Caps); and (ii) the continuing connected transactions contemplated under the Master Sales Agreement (2016) (including the respective proposed annual caps)
“Independent Shareholders”	the Shareholders (other than, among others, Charm Wise, CIMC HK and CIMC Tank Equipment and their respective associates) who do not have to abstain from voting in the EGM under the Listing Rules
“Independent Third Party(ies)”	a party(ies) which is (are) independent of and not connected with any of the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas
“Loan Services”	the loan services to be provided by CIMC Finance to the Group contemplated under the Financial Services Framework Agreement (2016)
“Master Office Services Agreement (2016)”	the master agreement dated 23 December 2016 entered into between the Company and CIMC pursuant to which the Group will provide and the CIMC Group will receive general office services for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019



“Master Processing Services Agreement (2016)”	the master agreement dated 23 December 2016 entered into between the Company and CIMC pursuant to which the CIMC Group will provide and the Group will receive processing services for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019
“Master Procurement Agreement (2016)”	the master agreement dated 23 December 2016 entered into between the Company and CIMC pursuant to which the Group will procure various spare parts and/or raw materials from the CIMC Group for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019
“Master Sales Agreement (2016)”	the master agreement dated 23 December 2016 entered into between the Company and CIMC pursuant to which the Group will sell and the CIMC Group will purchase products for storage, transportation and processing in the fields of energy, chemical and liquid food for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019
“Master Services Agreement (2016)”	the master agreement dated 23 December 2016 entered into between the Company and CIMC pursuant to which the Group will provide and the CIMC Group will receive processing services for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Deposit Annual Cap(s)”	the proposed annual cap(s) for the continuing connected transactions in relation to the Deposit Services on the maximum daily outstanding balance of deposits to be placed by the Group with CIMC Finance for the period from 1 January 2017 to 31 December 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Customers”	the customers who require finance leases to purchase products of the Group and are referred by the Group to the CIMC Group pursuant to the Master Sales Agreement (2016)

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Termination Agreements”	collectively, (1) the termination agreement dated 23 December 2016 entered into between the Company and CIMC, in respect of the termination of the Existing Master Office Services Agreement, (2) the termination agreement dated 23 December 2016 entered into between the Company and CIMC, in respect of the termination of the Existing Master Processing Services Agreement and (3) the termination agreement dated 23 December 2016 entered into between the Company and CIMC, in respect of the termination of the Existing Master Procurement Agreement
“%”	per cent.

By order of the Board  
**CIMC Enric Holdings Limited**  
**Cheong Siu Fai**  
*Company Secretary*

Hong Kong, 27 December 2016

*As at the date of this announcement, the Board consists of Mr. Gao Xiang (Chairman) and Mr. Liu Chunfeng (General Manager) as executive directors; Mr. Jin Jianlong, Mr. Yu Yuqun, Mr. Wang Yu and Mr. Jin Yongsheng as non-executive directors; and Mr. Wong Chun Ho, Mr. Tsui Kei Pang and Mr. Zhang Xueqian as independent non-executive directors.*

\* *For identification purposes only*