

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult an exchange participant or other securities dealer licensed as a licensed person under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in CIMC Enric Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, exchange participant or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

**(1) CONTINUING CONNECTED TRANSACTIONS  
AND DISCLOSEABLE TRANSACTION UNDER  
THE FINANCIAL SERVICES FRAMEWORK AGREEMENT (2016)  
AND  
(2) CONTINUING CONNECTED TRANSACTIONS  
UNDER THE MASTER SALES AGREEMENT (2016)  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 6 to 24 of this circular. A letter from the Independent Board Committee is set out on pages 25 to 26 of this circular. A letter from Innovax containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 50 of this circular.

A notice convening the EGM to be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 14 February 2017 at 3:00 p.m. is set out on pages 59 to 61 of this circular.

A form of proxy for use by the Independent Shareholders at the EGM (or any adjournment thereof) is enclosed with this circular. Whether or not you propose to attend the EGM (or any adjournment thereof), you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deliver the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and delivery of the form of proxy will not preclude Independent Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so wish.

Hong Kong, 26 January 2017

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## DEFINITIONS

*In this circular, 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 (Stock Code: 2039), 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 (Stock Code: 3899)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

## DEFINITIONS

“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	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 Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 14 February 2017 at 3:00 p.m. 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 expired 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 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 expired 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

## DEFINITIONS

“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
“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 all of the independent non-executive Directors
“Innovax” or “Independent Financial Adviser”	Innovax Capital Limited, a licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (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
“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
“Latest Practicable Date”	19 January 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

## DEFINITIONS

“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 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
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China, and for the purposes of this circular, 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 commencing on 1 January 2017 and expiring on 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)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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)

## DEFINITIONS

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“substantial shareholder(s)”

has the meaning ascribed to it under the Listing Rules

“%”

per cent

\* *for identification purposes only*

**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)**

*Executive Directors:*

Gao Xiang (*Chairman*)

Liu Chunfeng (*General Manager*)

*Non-executive Directors:*

Jin Jianlong

Yu Yuqun

Wang Yu

Jin Yongsheng

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Wong Chun Ho

Tsui Kei Pang

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The PRC

26 January 2017

*To the Shareholders*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS  
AND DISCLOSEABLE TRANSACTION UNDER  
THE FINANCIAL SERVICES FRAMEWORK AGREEMENT (2016)  
AND  
(2) CONTINUING CONNECTED TRANSACTIONS  
UNDER THE MASTER SALES AGREEMENT (2016)  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 27 December 2016 in relation to, inter alia, the Financial Services Framework Agreement (2016) and the Master



## LETTER FROM THE BOARD

Sales Agreement (2016). Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to (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 at the EGM.

The purpose of this circular is to provide you with:

- (a) details of (i) the terms of 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 terms of the Master Sales Agreement (2016), the continuing connected transactions contemplated thereunder and the proposed annual caps for such transactions;
- (b) a letter from the Independent Board Committee to the Independent Shareholders in respect of (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;
- (c) a letter of advice from Innovax to the Independent Board Committee and the Independent Shareholders in respect of (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;
- (d) a notice of the EGM; and
- (e) other information in accordance with the requirements of the Listing Rules.

## **2. CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT (2016)**

### **A. Background**

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.

## LETTER FROM THE BOARD

### B. The Financial Services Framework Agreement (2016)

#### (i) *Principal terms*

- Date** : 23 December 2016
- Parties** : 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

## LETTER FROM THE BOARD

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

## LETTER FROM THE BOARD

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 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.

## LETTER FROM THE BOARD

### **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.

## LETTER FROM THE BOARD

### 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).

### (ii) *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'000) (Note)			Actual amount (in RMB'000)		
	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	360,000	360,000	141,749	359,499	189,352

*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 transaction amount for the year ended 31 December 2016 will not exceed the proposed annual cap for the corresponding year.

## LETTER FROM THE BOARD

*(iii) 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:

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

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.

*(iv) 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

## LETTER FROM THE BOARD

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 guarantees provided by CIMC as set out in the section headed “B. The Financial Services Framework Agreement (2016) – (i) Principal terms – Undertakings by CIMC”.

The Directors (including the members of the Independent Board Committee 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.

### *(v) 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 institutions. 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 institutions.

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 institutions 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 institutions.



## LETTER FROM THE BOARD

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 and interim 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.

### 3. CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER SALES AGREEMENT (2016)

#### A. Background

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

#### B. The Master Sales Agreement (2016)

##### (i) *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.

## LETTER FROM THE BOARD

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 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. The Group maintains a minimum target profit margin of 5.0% for all products on the Product Price List (as defined below in the section headed "*(v) Internal control measures*"), which is equally applicable for sales to both the CIMC Group and Independent Third Parties when negotiating prices.

## LETTER FROM THE BOARD

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 each tripartite individual contract, in line with the usual terms of the contracts between the Group and Independent Third Parties, the Group will provide a one-year quality guarantee to the Sales Customer during which the Group will provide free repair and maintenance services to the Sales Customer.

*(ii) 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'000) <i>(Note)</i>			Actual amount (in RMB'000)		
	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	1,140,000	1,487,000	627,421	493,324

*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 transaction amount for the year ended 31 December 2016 will not exceed the proposed annual cap for the corresponding year.

## LETTER FROM THE BOARD

*(iii) 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:

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

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 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) as follows:

- (a) The proposed annual cap for the year ending 31 December 2017 is higher than the historical transaction amounts for the year ended 31 December 2015 and for the six months ended 30 June 2016 mainly due to the expected continual recovery of the oil price, the expected favourable government policy as suggested in the China Natural Gas Development Report (2016) and the growth of the CIMC Group's business which will all have a positive impact on the volume of the Group's sales.
- (b) The proposed annual cap for the year ending 31 December 2018 is 21.0% higher than that for the year before mainly because of the expected continual high demand for natural gas related equipment and products under the expected favourable government policy as suggested in the China Natural Gas Development Report (2016) in promoting the consumption of natural gas. Taking into account the expectation that the impact of recovery of the oil price and the growth of CIMC Group's business may diminish over time, the average volume of products to be sold to the CIMC Group for the year ending 31 December 2018 is predicted to increase by approximately 20.0% year-on-year while it is conservatively estimated that the average selling price will be adjusted upward by 1.0% due to inflation.

## LETTER FROM THE BOARD

- (c) The proposed annual cap for the year ending 31 December 2019 is 14.7% higher than that for the year before or 38.7% higher than that of the year ending 31 December 2017. The rate of growth of the proposed annual cap for the year ending 31 December 2019 is expected to decline due to a gradual slowdown in the demand for natural gas equipment with the effect of the favourable policy suggested in the China Natural Gas Development Report (2016) to further diminish over time. As a result, the average volume growth is predicted to decline to approximately 13.7% year-on-year while the average selling price is estimated to increase by 1.0% due to inflation.

*(iv) 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 independent 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 (including the members of the Independent Board Committee 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.

## LETTER FROM THE BOARD

### (v) *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 raw materials, depreciation of premises/building/equipment used in production, the labour cost, incidental production costs and the 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. The Group maintains a minimum target profit margin of 5.0% for all products on the Product Price List, which is equally applicable for sales to both the CIMC Group and Independent Third Parties when negotiating prices.

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 the Group's counterparts for the same type of products in the market (if any).

#### 4. 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.

## LETTER FROM THE BOARD

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

### 5. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, CIMC is a controlling shareholder of the Company indirectly holding approximately 70.78% 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 the Financial Services Framework Agreement (2016) and the Master Sales 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 Independence Third Parties, 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.

#### **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.

## LETTER FROM THE BOARD

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.

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.

### 6. EGM

There is set out on pages 59 to 61 of this circular a notice convening the EGM to be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 14 February 2017 at 3:00 p.m., at which ordinary resolution 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 Latest Practicable Date), CIMC HK (held as to 1,140,572,645 Shares, representing approximately 58.88% of the total issued share capital of the Company as at the Latest Practicable Date) 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 Latest Practicable Date) and their respective associates, hold 1,371,016,211 Shares which represent 70.78% of the issued share capital of the Company as at the Latest Practicable Date. 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 such ordinary resolutions to be proposed. No other Shareholders have any material interest in the Deposit Services contemplated under the Financial Services Framework Agreement (2016) and the continuing connected transactions contemplated under the Master Sales Agreement (2016).

Charm Wise, CIMC HK and CIMC Tank Equipment and their respective associates control and are entitled to exercise control over the voting right in respect of their respective Shares.



## LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM will exercise his power under article 66 of the articles of association of the Company to put the ordinary resolution to be proposed at the EGM to be voted by way of poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Whether or not you propose to attend the EGM (or any adjournment thereof), you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deliver the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and delivery of the form of proxy will not preclude Independent Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so wish.

### 7. RECOMMENDATION

The Independent Board Committee, having considered (i) the terms of 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 terms of the Master Sales Agreement (2016), the continuing connected transactions contemplated thereunder and the proposed annual caps for such transactions, as well as the advice of Innovax set out in the "Letter from Innovax" on pages 27 to 50 of this circular, considers that (a) the terms of the Financial Services Framework Agreement (2016) and the Master Sales Agreement (2016), the continuing connected transactions of the Deposit Services under the Financial Services Framework Agreement (2016) and the continuing connected transactions under the Master Sales Agreement (2016) 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 (b) the terms of the Financial Services Framework Agreement (2016) and the Master Sales Agreement (2016), the continuing connected transactions of the Deposit Services under the Financial Services Framework Agreement (2016) and the continuing connected transactions under the Master Sales Agreement (2016), as well as the Proposed Deposit Annual Caps and the proposed annual caps for the transactions contemplated under the Master Sales Agreement (2016) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (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.

## LETTER FROM THE BOARD

Therefore, on the basis of the information set out in this circular, the Directors recommend that the Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM to approve (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.

### 8. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 25 to 26 of this circular, the Letter from Innovax to the Independent Board Committee and the Independent Shareholders set out on pages 27 to 50 of this circular, and the information set out in the appendix to this circular.

Yours faithfully,  
By order of the Board  
**CIMC Enric Holdings Limited**  
**Gao Xiang**  
*Chairman*

**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)

26 January 2017

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS  
AND DISCLOSEABLE TRANSACTION UNDER  
THE FINANCIAL SERVICES FRAMEWORK AGREEMENT (2016)  
AND  
(2) CONTINUING CONNECTED TRANSACTIONS  
UNDER THE MASTER SALES AGREEMENT (2016)**

We refer to the circular of the Company dated 26 January 2017 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meaning when used in this letter.

We have been appointed by the Board as the members of the Independent Board Committee to consider and to advise the Independent Shareholders as to whether (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 are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to recommend whether or not the Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM to approve (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.

Innovax has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (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 text of the letter of advice from Innovax to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 50 of the Circular.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the letter from the Board, as set out on pages 6 to 24 of the Circular.

After taking into consideration (i) the terms of 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 terms of the Master Sales Agreement (2016), the continuing connected transactions contemplated thereunder and the proposed annual caps for such transactions, as well as the advice of Innovax, we consider that (a) the terms of the Financial Services Framework Agreement (2016) and the Master Sales Agreement (2016), the continuing connected transactions of the Deposit Services contemplated under the Financial Services Framework Agreement (2016) and the continuing connected transactions under the Master Sales Agreement (2016) 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 (b) the terms of the Financial Services Framework Agreement (2016) and the Master Sales Agreement (2016), the continuing connected transactions of the Deposit Services under the Financial Services Framework Agreement (2016) and the continuing connected transactions under the Master Sales Agreement (2016), as well as the Proposed Deposit Annual Caps and the proposed annual caps for the transactions contemplated under the Master Sales Agreement (2016) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (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.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Wong Chun Ho**

**Tsui Kei Pang**

**Zhang Xueqian**

*Independent non-executive Directors*

## LETTER FROM INNOVAX

*The following is the full text of the letter from Innovax Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



*To the Independent Board Committee and the Independent Shareholders,*

26 January 2017

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION

#### I. INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services contemplated under the Financial Services Framework Agreement (2016), the transactions contemplated under the Master Sales Agreement (2016) (collectively the “**Non-exempted Continuing Connected Transactions**”) and their respective proposed annual caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular of the Company dated 26 January 2017 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context indicates otherwise.

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 has expired 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 also made to the announcement and circular of the Company dated 28 November 2013 and 18 December 2013, respectively, in relation to, among others, the Existing Master Sales Agreement. As the Existing Master Sales Agreement has expired on 31 December 2016, the Company and CIMC have entered into the Master Sales Agreement (2016) on 23 December 2016.

As stated in the Letter from the Board, CIMC indirectly owns 70.78% of the entire issued share capital of the Company. Accordingly, CIMC is a substantial shareholder of the Company and therefore is a connected person of the Company. In addition, since CIMC Finance is wholly owned by CIMC thus it is also a connected person of the Company. Hence, the transactions contemplated under the Financial Services Framework Agreement (2016) and the Master Sales Agreement (2016) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## LETTER FROM INNOVAX

In respect of (i) the Proposed Deposit Annual Caps of the Deposit Services contemplated under the Financial Services Framework Agreement (2016); and (ii) the proposed annual caps contemplated under the Master Sales Agreement (2016) (the “**Proposed Sales Annual Cap(s)**”), since one or more of the applicable percentage ratios of the continuing connected transactions under each of the said agreements exceed 5% and it is expected that the annual consideration of the continuing connected transactions under each of the said agreements will be more than HK\$10 million, such transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and will also be required to be approved by the Independent Shareholders by way of poll. Based on the information available to us, other transactions contemplated under the Financial Services Framework Agreement (2016) do not constitute any non-exempted continuing connected transactions.

Further, as the relevant percentage ratios in respect of the Deposit Services exceed 5% but less than 25%, the Deposit Services contemplated under the Financial Services Framework Agreement (2016) also constitute the provision of financial assistance under Chapter 14.04(1)(e) of the Listing Rules thus a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Chun Ho, Mr. Tsui Kei Pang and Mr. Zhang Xueqian, has been formed to advise the Independent Shareholders as to whether each of the Non-exempted Continuing Connected Transactions and their respective proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and in the ordinary course and usual course of business of the Group, are in the interests of the Company and the independent Shareholders as a whole and how to vote in the relevant resolutions in the EGM. In our capacity as the Independent Financial Adviser, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation in this regard.

The EGM will be convened on 14 February 2017. CIMC and its associates are required to abstain from voting in respect of the proposed resolutions approving each of the Non-exempted Continuing Connected Transactions and their respective proposed annual caps at the EGM.

In the last two years, we did not have any engagement with the Group as an independent financial adviser. As at the Latest Practicable Date, we did not have any relationships or interests with the Group or any other parties that could reasonably be regarded as relevant to the independence of us. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the captioned transactions, and therefore we are considered to be eligible to give independent advice on the Non-exempted Continuing Connected Transactions and their respective proposed annual caps.

## **II. BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and continue to be true, accurate and complete in all material respects as at the date of the Circular. We have also relied on our discussion with management of the Company regarding the Group and the respective terms of the Non-exempted Continuing Connected Transactions and their respective proposed annual caps, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the CIMC Group or their respective associates nor have we carried out any independent verification of the information supplied.

## **III. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS**

In arriving at our opinion and recommendations on the terms of the Non-exempted Continuing Connected Transactions and their respective annual caps, we have taken the following principal factors and reasons into consideration:

### **A. Principal business of the Group**

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 is widely used in the energy, chemical and liquid food industries.

Products of the Group mainly includes CNG seamless pressure cylinders, CNG trailers, LNG trailers and tanks, natural gas refuelling station systems, liquefied petroleum gas trailers and tanks, natural gas compressors, chemical tank containers, and processing and storage tanks for liquid food.

**B. The Deposit Services contemplated under the Financial Services Framework Agreement (2016)**

**1. Background of CIMC Finance and reason of the Financial Services Framework Agreement (2016)**

*(a) Background of CIMC Finance*

CIMC Finance is a wholly owned subsidiary of CIMC and principally engaged in the provision of financial services to fellow subsidiaries of CIMC.

CIMC Finance is a non-bank financial institution approved and regulated by relevant PRC regulatory authorities including People's Bank of China (the "PBOC") and China Banking Regulatory Commission (the "CBRC") under the Administrative Measures for Enterprise Group Finance Companies (the "**Administrative Measures**"). According to the its business license and approval documents, CIMC Finance is authorised to provide certain financial services, including but not limited to, (i) the provision of financial consultation services, credit appraisal and other related consultancy and agency services to members of the CIMC Group; (ii) assistance to members in the collection and payment of transaction amount; (iii) authorised insurance agency services; (iv) provision of guarantee between members; (v) providing entrusted loans and entrusted investments between members; (vi) provision of bill acceptance and discount services to members; (vii) provision of internal fund transfer and settlement services and corresponding settlement planning to members; (viii) accepting deposits from members; (ix) provision of loans and finance leasing to members; (x) provision of inter-bank lending; (xi) underwriting of corporate bonds of members; (xii) equity investments; and (xiii) provision of consumer credit facilities, buyers' credit and finance leasing.

Under the Administrative Measures, CIMC Finance has to comply with various financial ratio requirements of the CBRC, including capital adequacy ratio, inter bank borrowing balances to total capital, total amount of outstanding guarantees to total capital, short term investment to equity, long term investment to equity and self-owned fixed assets to equity ratio. It is confirmed by the Directors that, to their best knowledge and information, CIMC Finance has no record of non-compliance with relevant laws, rules and regulations of the PRC, including the financial ratio requirements of the CBRC, within the terms of the Existing Financial Services Framework Agreement.



## LETTER FROM INNOVAX

(b) *Reason for and benefits of entering into the Financial Services Framework Agreement (2016)*

As the Existing Financial Services Framework Agreement has expired on 31 December 2016, the Company, CIMC Finance and CIMC have entered into the Financial Services Framework Agreement (2016) on 23 December 2016.

Pursuant to the Financial Services Framework Agreement (2016), CIMC Finance will provide certain financial services, among others, the Deposit Services, to the Group for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019. The Group will receive interest on its money deposited with CIMC Finance of terms more favourable to the Group than those offered by independent banks and/or financial institutions in the PRC.

We noted that the Deposit Services contemplated under the Financial Services Framework Agreement (2016) will be subject to substantially the same terms as those under the Existing Financial Services Framework Agreement.

Furthermore, as stated in the Letter from the Board, the Group utilise the financial services provided by CIMC Finance, including the Deposit Services, on a non-exclusive and voluntary basis. Therefore, the Group is not restricted by the Financial Services Framework Agreement (2016) to approach or choose any banks or financial institutions to satisfy its financial service needs.

We understand from the Company that CIMC Finance has been providing services to the Group since 2013. As CIMC Finance and the Group both belong to the CIMC Group, it is expected that both parties have a better understanding on the operations of each other from their previous co-operation that should enhance efficiency and effectiveness of the Deposit Services provided by CIMC Finance. Better quality of services can be delivered to the Group than those delivered by independent commercial banks and/or financial institutions accordingly. In addition, CIMC Finance can also act as the central clearing house within the CIMC Group which facilitates the settlement of account between members of the Group as well as the other members of the CIMC Group.

Besides, any risk of the Group associated with the placing of deposits with CIMC Finance will be minimised by the guarantees provided by CIMC, details of which can be referred to the section headed "*Undertakings by CIMC*" in the Letter from the Board.

## LETTER FROM INNOVAX

Having taken into account the aforementioned reasons and benefits of entering into of the Financial Services Framework Agreement (2016), we concur with the Director's view that the Deposit Services contemplated under the Financial Services Framework Agreement (2016) are in the ordinary and usual course of business of the Group and are in the interest of the Group so far as the Company and the Independent Shareholders are concerned.

### *2. Pricing of the Deposit Services*

Pursuant to the Financial Services Framework Agreement (2016), 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.

In addition, as an internal control measure of the Group on the Deposit Services stated in the Letter from the Board, the Group will obtain quotations from independent commercial banks and/or financial institutions for the financial services of similar nature and under similar terms. The Group will enter into the transaction only 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 institutions.

In order to assess the effectiveness of the aforementioned mechanism to ensure the transactions under the Deposit Services can be conducted in accordance with the pricing principles as stated in the Financial Services Framework Agreement (2016), we have reviewed the historical interest rates offered by CIMC Finance to the Group under the Existing Financial Services Framework Agreement and compared the same with the benchmark deposit rates promulgated by PBOC and the interest rates offered by major PRC commercial banks for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016. We noted that the interest rates offered by CIMC Finance were more favourable than the benchmark interest rates set by PBOC and the relevant interest rates offered by those independent PRC commercial banks for similar deposit. The pricing terms of the Deposit Services have been applied effectively under the Existing Financial Services Framework Agreement.

We are of the view that there are sufficient procedures to ensure that the interest rates to be offered to the Group under the Deposit Services by CIMC Finance will not be lower than those set by PBOC or other independent PRC commercial bank and therefore the terms of the Deposit Services contemplated under the Financial Services Framework Agreement (2016) are on normal commercial terms, and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

## LETTER FROM INNOVAX

### 3. *Proposed Deposit Annual Caps*

The Proposed Deposit Annual Caps, which refer to the maximum daily balance of deposit that can be placed by the Group with CIMC Finance on any given day during the term of the Financial Services Framework Agreement (2016), are set out below:

	<b>For the year ending 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>thousand</i>	<i>thousand</i>	<i>thousand</i>
<b>Proposed Deposit Annual Cap</b>	360,000	360,000	360,000

As stated in the Letter from the Board, the Proposed Deposit Annual Caps were determined with reference to (i) the Group's historical maximum daily outstanding balances of deposits placed with CIMC Finance; (ii) the estimated business growth of the Group; (iii) the estimated cash flow and the estimated level of cash to be deposited with CIMC Finance. With reference to the aforementioned basis advised by the Board in determining the caps, we have taken into account the following factors in assessing the reasonableness of the Proposed Deposit Annual Caps:

- (a) *Historical deposit annual caps and maximum daily outstanding balances of deposits placed with CIMC Finance*

The table below set out (i) the historical maximum amount of deposits placed by the Group with CIMC Finance; (ii) the historical deposit annual caps in respect of the deposit services contemplated under the Existing Financial Services Framework Agreement; and (iii) the historical maximum daily utilisation of historical deposit annual caps, for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016.

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>		<b>six months</b>
	<b>2014</b>	<b>2015</b>	<b>ended</b>
	<i>RMB</i>	<i>RMB</i>	<b>30 June</b>
	<i>thousand</i>	<i>thousand</i>	<i>thousand</i>
<b>Maximum balance of deposits placed with CIMC Finance by the Group</b>	141,749	359,499	189,352
<b>Historical deposit annual cap</b>	150,000	360,000	360,000
<b>Maximum daily utilisation of historical caps (Note 1)</b>	94.5%	99.9%	52.6%

*Note 1:* The maximum daily utilisation of historical caps is calculated by dividing the maximum balance of deposits placed with CIMC Finance by the Group by the historical caps for the respective year/period.

## LETTER FROM INNOVAX

During the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the Group's maximum daily balance of deposits placed with CIMC Finance has reached approximately 94.5%, 99.9% and 52.6% of the respective historical caps, respectively.

Based on our discussion with the management of the Company, the maximum daily utilisation of historical caps for the six months ended 30 June 2016 was lower as a portion of cash of the Group were out of PRC and could not be deposited with CIMC Finance during the financial period. The Directors expected the maximum balance of deposits placed with CIMC Finance by the Group for the year ended 31 December 2016 should be close to the deposit annual cap for the year ended 31 December 2016.

The Proposed Deposit Annual Caps are estimated to be RMB360 million for each of the three years ending 31 December 2019, which is the same as the historical deposit annual cap of the deposit services contemplated under the Existing Financial Services Framework Agreement for the years ended 31 December 2015 and 2016. It is expected by the management of the Group that the Group's maximum daily balance of deposits should be similar to the previous years under the Existing Financial Services Agreement and therefore the Proposed Deposit Annual Caps should be maintained at the same level.

(b) *The estimated business growth of the Group*

The following table extracted the financial performance of the Group from its annual reports for the years ended 31 December 2014 ("**Annual Report 2014**") and 31 December 2015 ("**Annual Report 2015**") and the interim report for the six months ended 30 June 2016 ("**Interim Report 2016**"):

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>		<b>six months</b>
	<b>2014</b>	<b>2015</b>	<b>ended</b>
	<i>RMB</i>	<i>RMB</i>	<b>30 June</b>
	<i>thousand</i>	<i>thousand</i>	<b>2016</b>
			<i>RMB</i>
			<i>thousand</i>
<b>Revenue</b>	11,266,822	8,241,333	3,737,502
<b>Gross profit</b>	2,122,648	1,532,717	669,970
<b>Profit from operation</b>	1,222,694	718,276	314,288

The Group recorded a decrease of revenue and profit from operation since the year ended 31 December 2014, which was mainly attributable to the plunge in international oil price by more than half since the middle of 2014.

## LETTER FROM INNOVAX

Based on our discussion with the management of the Group, the Directors believe that the prospect of China's energy equipment market is positive as the international oil price reached the three-years lowest in early 2016 and started to recover since then. It is expected that the financial performance of the Group will improve and should not have a material impact on the operating cash flow as well as the Group's demand for the Deposit Services.

(c) *The estimated cash flow and the estimated level of cash to be deposited with CIMC Finance*

In estimating the cash flow and the level of cash to be deposited with CIMC Finance, the Group has made reference to the historical cash positions and net cash flow from operation. The following table summarised relevant financial information extracted from the Company's Annual Report 2014, Annual Report 2015 and Interim Report 2016:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>30 June</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>thousand</i>	<i>thousand</i>	<i>thousand</i>
<b>Cash and cash equivalents</b>	1,683,210	2,035,950	2,583,942
<b>Deposit placed with CIMC Finance</b>	141,749	359,499	189,352
<b>Historical deposit annual cap</b>	150,000	360,000	360,000
			<b>For the</b>
			<b>six months</b>
			<b>ended</b>
			<b>30 June</b>
			<b>2016</b>
			<i>RMB</i>
			<i>thousand</i>
<b>Net cash flow from operating activities</b>	1,073,476	664,747	700,379

As illustrated in the table above, the cash and cash equivalents of the Group were approximately RMB1,683 million and RMB2,036 million as at 31 December 2014 and 2015. It subsequently increased to approximately RMB2,584 million as at 30 June 2016 as a result of the bank loans drawn.

## LETTER FROM INNOVAX

For the years ended 31 December 2014 and 2015, the Group's net cash flow from operating activities amounted to approximately RMB1,073 million and RMB665 million. The decrease was mainly due to decrease in revenue and profit from energy equipment business. The net cash flow from operating activities for the six months ended 30 June 2016 was approximately RMB700 million. The increase was mainly due to the increase in other payables and accrued expenses as a result of an amount received in advance from an American customer for a liquid food equipment project.

Based on our discussion with the management of the Group as mentioned above, it is expected that the financial performance of the Group will improve and should not have a material impact on the operating cash flow as well as the Group's demand for the Deposit Services. In addition, the Group will maintain sufficient cash on hand for repayment of bank loans and loans from related party when they fall due. Therefore, the cash position and net cash flow from operating activities should remain stable as well as the demand of the Group on the Deposit Services.

Having considered (i) the historical deposit annual caps and maximum daily outstanding balances of deposits placed with CIMC Finance; (ii) the estimated business growth of the Group; (iii) the historical cash positions and net cash flow from operations; and (iv) the balance of deposits placed with CIMC Finance as at 31 December 2014, 31 December 2015 and 30 June 2016, we considered that the Proposed Deposit Annual Caps in respect of the Deposit Services contemplated under the Financial Services Framework Agreement (2016) are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

#### *4. Internal control measures on the Deposit Services*

For the purpose of ensuring the Deposit Services will be conducted in accordance with the pricing terms of the Financial Services Framework Agreement (2016) and the Proposed Deposit Annual Caps will not be exceeded, the Group has applied several internal control measures to secure the interest of the Company and the Independent Shareholders.

In respect of the pricing terms, the Group will obtain quotations monthly from independent commercial banks and/or financial institutions of similar nature and under similar terms for the Deposit Services. The Group will enter into the Deposit Services only if it believes that the interest rate offered by CIMC Finance are no less favourable to the terms available to the Group from independent commercial banks and/or financial institutions.

With regard to the Proposed Deposit Annual Caps, CIMC Finance will report to the Group on a monthly basis for the aggregated amount of deposits placed by the Group with CIMC Finance. The Group's finance department

## LETTER FROM INNOVAX

will review the report and ensure the balance of deposits placed with CIMC Finance will not exceed the Proposed Deposit Annual Caps.

In addition, as mentioned in the Letter from the Board, the Group has maintained a team of professional finance staff and a comprehensive financial management system. The Group's finance department can monitor the daily outstanding balance of the deposits placed with CIMC Finance through the financial management system. If the Group's finance department foresees the balance of deposits of the Group placed with CIMC Finance at the end of the day may exceed the Proposed Deposit Annual Caps, the excess fund will be transferred to the designated bank accounts maintained by the Group with independent commercial bank and/or financial institutions immediately.

We have reviewed the quotations obtained by the Group from independent commercial banks and financial institutions and the monthly report provided by CIMC Finance to the Group during the terms of the Existing Financial Services Framework Agreement. We consider the Group has applied the aforementioned internal control measures during the terms of the Existing Financial Services Framework Agreement effectively and the same will be applied during the Financial Services Framework Agreement (2016). Therefore, we consider these internal control measures are effective to ensure the Deposits Services will be conducted in accordance with the pricing terms of the Financial Services Framework Agreement (2016) and the Proposed Deposit Annual Caps will not be exceeded.

**C. The continuing connected transactions contemplated under the Master Sales Agreement (2016)**

**1. *Background and reason of the Master Sales Agreement (2016)***

*(a) Background of the CIMC Group*

The CIMC Group is principally engaged in container manufacturing and service businesses, road transportation vehicle business, offshore engineering business, airport facilities equipment business, logistics service, financial business, real estate development, heavy trucks business and others.

*(b) Reasons for and benefits of entering into of the Master Sales Agreement (2016)*

The Existing Master Sales Agreement was entered into between the Group and CIMC on 28 November 2013. As the Existing Master Sales Agreement has expired on 31 December 2016, the Company and CIMC have entered into the Master Sales Agreement (2016) on 23 December 2016 to renew the agreement.

## LETTER FROM INNOVAX

Pursuant to the Master Sales Agreement (2016), the Group should sell its products for storage, transportation and processing in the fields of energy, chemical and liquid food (including but not limited to natural gas refuelling stations and related equipment, natural gas refuelling 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) to the CIMC Group for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019. The sale of 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 of the Group); and/or (ii) the CIMC Group's own manufacturing and business operations.

As set out in the Letter from the Board, the entering into of the Master Sales Agreement (2016) can help the Group to maintain a stable source of revenue and facilitate the Sales Customers in financing their purchase of the Group's products.

As the Group currently does not provide any finance lease services, some of the customers, namely the Sales Customers, may have financial difficulties in purchasing the products of the Group and have to obtain financing from commercial banks or financial institutions. By entering into of the Master Sales Agreement (2016), the Group can refer the Sales Customers to the CIMC Group, who owns its finance lease business, to arrange finance leases for the Sales Customers to pay for the Group's products. Under such arrangement, the Group should sell the products to the CIMC Group, who should then resell the same to the Sales Customers directly under finance lease arrangements.

The Directors believe that by providing such referral arrangement for finance leases, the Group can attract and retain those customers who otherwise might not have the financial resources to purchase the Group's products and would therefore increase the Group's revenue and be beneficial to the Group in the long run accordingly.

Moreover, the entering into of the Master Sales Agreement (2016) allows the Group to have an additional stable source of revenue from the sale of the Group's product to the CIMC Group for its own manufacturing and business operations.

Having taken into account the principal business of the Group and the aforementioned reasons and benefits of entering into of the Master Sales Agreement (2016), we concur with the Director's view that the entering into of the Master Sales Agreement (2016) is commercially justifiable and is in the ordinary and usual course of business of the Group.



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### 2. *Principal terms of the Master Sales Agreement (2016)*

Pursuant to the Master Sales Agreement (2016), the Group should sell the products to the CIMC Group for the purpose of (i) enabling the CIMC Group to provide finance leases to the Sales Customers and/or (ii) the CIMC Group's own manufacturing and business operations, for the three years ending 31 December 2019.

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. Upon the entering into of a tripartite individual contract, the Group will provide a one-year quality guarantee to the Sales Customers which the Group will provide free repair and maintenance services to the Sales Customers.

The following sets out the pricing basis and payment terms pursuant to the Master Sales Agreement (2016):

#### (a) *Pricing basis*

Pursuant to the Master Sales Agreement (2016), the selling price of the products contemplated under the Master Sales Agreement (2016) will be determined with reference to 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 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.

#### (b) *Payment terms*

For the sales of the Group's products to the CIMC Group for the purpose of enabling the CIMC Group to provide finance leases to the Sales Customers, the CIMC Group will pay 10% of the consideration as deposit to the Group within 10 days following the entering into of a

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tripartite contract for each individual transaction among the Sales Customers, the relevant member(s) of the CIMC Group and of the Group. The balance of the consideration will be settled within 30 days from the date of acknowledgement of receipt of the products by the CIMC Group or the relevant Sales Customers.

Regarding the sales of the Group's products to the CIMC Group for the purpose of its own manufacturing and business operations, the payment terms will be determined on a transaction-by-transaction basis, with reference to market practices and on terms no less favourable to the Group than terms made available by the Group to Independent Third Parties.

We have discussed with the management of the Group and reviewed the lists of transactions and sample contracts for the sales of products by the Group to the CIMC Group under the Existing Master Sales Agreement and compared them with contracts for similar sales selected from the lists of transactions from independent customers. We noted that the terms for the transactions contemplated under the Existing Master Sales Agreement were similar to the transaction terms between the Group and the independent customers and consider the sample contracts selected to be fair and representative.

In particular, we understand the provision of one-year quality guarantee is one of the usual terms of the Group's sales contract to provide free repair and maintenance services to their customers on its products for a year. We have obtained and reviewed sample contracts entered into between the Group and the independent customers in each of the three years ended 31 December 2016. We noted the one-year quality guarantee have also been provided by the Group to the independent customers on similar products and therefore considered the provision of one-year quality guarantee to the Sales Customers under the Master Sales Agreement (2016) is on normal commercial terms and is fair and reasonable.

Having regard to the above, in particular, the terms of the pricing and payments terms of the Master Sales Agreement (2016), we concur with the view of the Directors that the terms of the Master Sales Agreement (2016) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole.

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### 3. *Proposed Sales Annual Caps*

The following table set out the Proposed Sales Annual Caps for the transactions contemplated under the Master Sales Agreement (2016) for each of the three years ending 31 December 2019:

<b>Proposed Sales Annual Cap</b>	<b>For the year ending 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>thousand</i>	<i>thousand</i>	<i>thousand</i>
	620,000	750,000	860,000

As set out in the above table, the Proposed Sales Annual Caps for the sale of products by the Group to the CIMC Group are RMB620 million, RMB750 million and RMB860 million by the Group for each of the three years ending 31 December 2019, respectively. The Proposed Sales Annual Caps for the years ending 31 December 2018 and 2019 are proposed to be increased by approximately 21.0% and 14.7% over that of the respective previous year.

When assessing the reasonableness of the Proposed Sales Annual Caps, we have discussed with the management of the Company the basis and assumptions underlying in the projection of the Proposed Sales Annual Caps. As stated in the Letter from the Board, the Proposed Sales Annual Caps were 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 the 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), details of which are set out as follows:

(a) *Historical transaction amounts under the Existing Master Sales Agreement and the respective annual caps*

Set out below are (i) the historical amounts of the transactions contemplated under the Existing Master Sales Agreement for the two years ended 31 December 2015 and for the six months ended 30 June 2016; (ii) the respective annual cap for each of the three years ended 31 December 2016; and (iii) the utilisation of the annual cap of the respective year or period:

<b>Historical annual cap</b>	<b>For the year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>thousand</i>	<i>thousand</i>	<i>thousand</i>
	840,000	1,140,000	1,487,000

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	For the year ended		For the
	31 December		six months
	2014	2015	ended
	<i>RMB</i>	<i>RMB</i>	30 June
	<i>thousand</i>	<i>thousand</i>	2016
			<i>RMB</i>
			<i>thousand</i>
<b>Historical transaction amount</b>	627,421	493,324	96,688
<b>Utilisation rate of the historical annual cap</b>	74.7%	43.3%	6.5%
			<i>(Note 1)</i>

*Note 1:* This figure represents the utilisation rate of the annual cap from 1 January 2016 to 30 June 2016 only.

According to Annual Report 2014, Annual Report 2015 and Interim Report 2016, the revenue from energy equipment segment accounts for approximately 48.4%, 41.2% and 38.7% of the Group's total revenue generated from external customers for the two years ended 31 December 2015 and the six months ended 30 June 2016 respectively. As set out in the above table, we noted that the transaction amounts of the sales of products by the Group to the CIMC Group decreased significantly since the year ended 31 December 2014. For the year ended 31 December 2015 and the six months ended 30 June 2016, the historical transaction amounts were substantially lower than the historical annual caps of the respective year or period. Therefore, the utilisation rates of the historical annual cap decreased substantially in the respective year or period, demonstrating a trend consistent with the decreasing trend of the Group's revenue from energy equipment segment. According to the Annual Report 2015 and the Interim Report 2016 of the Company, the revenue of the Group from energy equipment segment decreased from approximately RMB5,422 million for the year ended 31 December 2014 to approximately RMB3,397 million for the year ended 31 December 2015 and from approximately RMB1,669 million for the six months ended 30 June 2015 to approximately RMB1,446 million for the six months ended 30 June 2016, respectively.

Based on our discussion with the management of the Group, the decrease in the historical transaction amounts of the sales of products by the Group to the CIMC Group and the revenue of the Group from energy equipment segment for the two years ended 31 December 2015 and the six months ended 30 June 2016 were mainly attributable to China's economic slowdown and the plunge in international oil price by more than half since the middle of 2014.

Given the challenging market conditions and with reference to the aforementioned historical transaction amount and historical utilisation

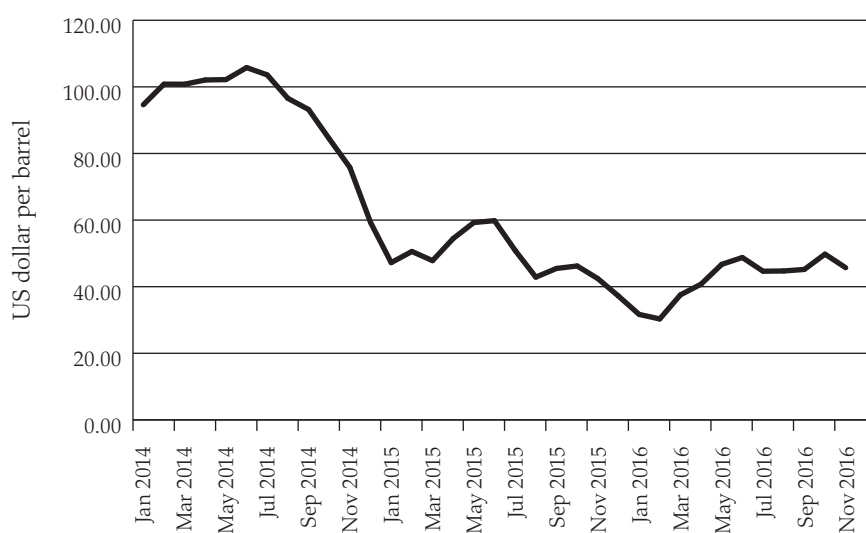
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rate of the annual caps under the Existing Master Sales Agreement, the Group has revised down the expected transaction amount of the sales of products to the CIMC Group and the Proposed Sales Annual Caps for the three years ending 31 December 2019 accordingly. The Proposed Sales Annual Cap for the year ending 31 December 2017 is estimated to be RMB620 million, representing a decrease of approximately 58.3% as compared to the historical annual cap for the year ended 31 December 2016.

(b) *The estimated investment in the natural gas equipment to cater for the projected growth in the natural gas consumption in China*

Following the plunge in international oil price by more than half since the middle of 2014, the price advantage of natural gas as an alternative fuel over oil has weakened as the gap between natural gas price and oil price has narrowed, which undermined the motivation for oil-to-gas conversion projects in the PRC as well as the attractiveness of using natural gas as an vehicle fuel. Therefore, the market demand for natural gas equipment has dropped, which led to a decrease in the revenue of the Group from the energy equipment segment since the year ended 31 December 2014 as well as the historical transaction amount of the sale of products from the Group to the CIMC Group for the same period.

Despite the fact of the plunge in international oil price since 2014, the Directors believe that the prospect of China's energy equipment market is positive. Based on our discussion with the management of the Company, we noted that the international oil price reached a three-year low in early 2016 and started to recover since then. The chart set forth below illustrates the monthly crude oil price since 1 January 2014:



Source: U.S. Energy Information Administration

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In addition, according to the article dated 10 December 2016 issued by Upstream, an independent newspaper covering the global oil and gas industry, the Organisation of the Petroleum Exporting Countries (“OPEC”) and non-OPEC producers reached their first deal in early December 2016 since 2001 to curtail oil output jointly and ease a global glut after more than two years of low prices. Given the foreseeable reduction in oil output, it is expected that the oil price will recover. Therefore, the price advantage of natural gas as an alternative fuel over oil will strengthen which boost up the market demand for natural gas equipment accordingly.

Apart from the recovery of the oil price, the PRC government announced natural gas price cuts in April and November 2015. Furthermore, the PRC government has also announced concrete measures to largely liberalise gas price which will help to enhance the growth of natural gas demand. In the first half of 2016, the PRC recorded a growth in natural gas consumption of 9.8% year-on-year to approximately 99.5 billion cubic metres and a growth in natural gas import of 21.2% year-on-year to approximately 35.6 billion cubic metres, both indicating a moderate recovery of natural gas demand during the period.

According to the Energy Development Strategy Action Plan (2014-2020) announced by the China’s State Council, natural gas pipelines in China is planned to reach 120,000 km by 2020 to cater for the projected growth in the natural gas consumption in the PRC, the PRC government also targets to establish eight new natural gas production bases by 2020, each capable of producing 10 billion cubic metres of natural gas per year. It is estimated that the investment of the natural gas equipment in the PRC will continue to grow.

In addition, according to the China Natural Gas Development Report (2016) published jointly by Oil and Gas Bureau of the National Energy Administration (國家能源局油氣司), Development Research Center of the State Council (國務院發展研究中心資源與環境政策研究所) and Strategic Research Center of Oil and Gas Resources of the Ministry of Land and Resources (國土資源部油氣資源戰略研究中心), it is targeted to double the number of natural gas vehicles from approximately five million units in 2015 to ten million units by 2020. It is also suggested to expedite approval of natural gas refuelling stations to promote the conversion of existing petrol station to petrol/natural gas hybrid refuelling stations and of existing CNG refuelling stations to CNG/LNG hybrid refuelling stations. These targets and suggestions can strengthen the natural gas consumption level in the PRC.

Having considered the above factors, we concur with the view of the Directors that the natural gas consumption in the PRC as well as the natural gas equipment market are recovering. Therefore, the sales volume of the Group’s products to the CIMC Group should recover accordingly.

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(c) *The growth of the CIMC Group's business*

Pursuant to the Master Sales Agreement (2016), apart from selling the products of the Group to the CIMC Group for the purpose of enabling the CIMC Group to provide finance leases to the Sales Customers, the Group should also sell the products to the CIMC Group for its own manufacturing and business operations.

For the years ended 31 December 2014 and 2015, the sales of the Group to the CIMC Group for its own manufacturing and business operations accounted for approximately 13.0% and 15.5% of the total historical transaction amount contemplated under the Existing Master Sales Agreement, respectively, in which approximately 10.6% and 7.4% of the total historical transaction amount have been sold to the CIMC Group for its heavy trucks business.

Based on our discussion with the management of the Group, it is expected that the CIMC Group will continue to purchase the Group's products for its own manufacturing and business operations, in particular, for its heavy trucks business.

According to the interim report of the CIMC Group for the six months ended 30 June 2016, the revenue of the CIMC Group from heavy trucks segment increased by approximately 117.2% from approximately RMB396 million for the six months ended 30 June 2015 to approximately RMB860 million for the six months ended 30 June 2016.

Taking into consideration of the above reasons, we consider it reasonable for the Company to take into account the business of the CIMC Group in determining the Proposed Sales Annual Caps.

(d) *The projected number of products to be sold to the CIMC Group and the forecast in market price of the products*

The Proposed Sales Annual Caps are estimated by the Group by using the projected number of products to be sold to CIMC Group (including the sales unit to the Sales Customers and for the CIMC Group's own manufacturing and business operations) for each of the three years ending 31 December 2019 multiplied by the corresponding estimated unit price of the products. The bases and assumptions of the projected number of products to be sold to CIMC Group have been discussed above.

For the price of the products to be sold to the CIMC Group, the Directors estimated that there will be an average annual growth of approximately 1% in the unit price of the Group's products in each of the three years ending 31 December 2019. According to the National

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Bureau of Statistics of China, there was an inflation of 3.3% based on the industrial producer price index in the PRC from November 2015 to November 2016. A relatively conservative inflation has been applied by the Company in estimating the unit price of its products for the three years ending 31 December 2019 for determining the Proposed Sales Annual Caps.

### *Proposed Sales Annual Cap for the year ending 31 December 2017*

Due to (i) the recovery of the natural gas equipment market attributable to the continual recovery of the international oil price since early 2016 and the favourable government policy suggested in the China Natural Gas Development Report (2016) as mentioned in paragraph (b) above; and (ii) the growth of the transaction amount to be contributed by the CIMC Group for its own manufacturing and business operations as mentioned in paragraph (c) above, it is expected that the average volume and transaction amount of the Group's sales under the Master Sales Agreement (2016) for the year ending 31 December 2017 will rebound and be higher than the transaction amount for the year ended 31 December 2015.

Therefore, the Directors estimated the Proposed Sales Annual Cap for the year ending 31 December 2017 to be approximately RMB620 million, which is approximately 25.7% higher than the historical transaction amount for the year ended 31 December 2015 and approximately 45.6% and 58.3% lower than the historical sales annual caps for the years ended 31 December 2015 and 2016, respectively.

Taking into consideration the above factors, we consider the Proposed Sales Annual Cap for the year ending 31 December 2017 is fair and reasonable.

### *Proposed Sales Annual Cap for the year ending 31 December 2018*

The Proposed Sales Annual Cap for the year ending 31 December 2018 is estimated to be RMB750 million, which is 21.0% higher than that for the year ending 31 December 2017. The average volume of products to be sold to the CIMC Group for the year ending 31 December 2018 is projected to increase by 20.0% as compared to the previous year while it is conservatively estimated that the average selling price will be adjusted upward by 1.0% due to inflation.

Based on our discussion with the management of the Company, the projected increase of the average volume of products to be sold to the CIMC Group is mainly attributable to continual increasing demand for natural gas related equipment and products derived from the favourable government policy as suggested in the China Natural Gas Development Report (2016) in promoting the consumption of natural



## LETTER FROM INNOVAX

gas. However, it is expected that the positive impact arising from the recovery of international oil price and the transaction amount to be contributed by the CIMC Group for its own manufacturing and business operations will start to diminish.

In view of the above factors, we consider the Proposed Sales Annual Cap for the year ending 31 December 2018 is fair and reasonable.

### *Proposed Sales Annual Cap for the year ending 31 December 2019*

The Proposed Sales Annual Cap for the year ending 31 December 2019 is estimated to be RMB860 million, which is approximately 14.7% higher than that for the year ending 31 December 2018. The average volume of products to be sold to the CIMC Group for the year ending 31 December 2019 is projected by the Directors to increase by approximately 13.7% as compared to the previous year while it is conservatively estimated that the average selling price will be adjusted upward by 1.0% due to inflation.

The growth rate of the average volume of products to be sold to the CIMC Group for the year ending 31 December 2019 is expected to decline as compared to the previous year due to further diminish of the positive effect on the demand for natural gas equipment arising from the favourable policy suggested in the China Natural Gas Development Report (2016) over time.

Taking into account the above factors, we consider the Proposed Sales Annual Cap for the year ending 31 December 2019 is fair and reasonable.

Having considered that (i) the management of the Company has revised down the expected transaction amount of the sale of products by the Group to the CIMC Group (which derives the Proposed Sales Annual Caps) for the year ending 31 December 2017; (ii) the recovery of the international oil prices since early 2016 and the natural gas consumption in the PRC; and (iii) moderate growth rates and buffer have been built in when determined the Proposed Sales Annual Caps, we are of the view that the Proposed Sales Annual Caps are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

#### **4. *Internal control measures on the transactions contemplated under the Master Sales Agreement (2016)***

To ensure that the transactions contemplated under the Master Sales Agreement (2016) will be conducted in accordance with the pricing terms of the Master Sales Agreement (2016) and the Proposed Sales Annual Caps are not exceeded, the Group has applied various internal control measures to safeguard the interest of the Company and the Independent Shareholders.

## LETTER FROM INNOVAX

In respect of the pricing terms, the Group's sales department will maintain a standard price list of the Group's products (the "Product Price List") which is applicable to the sales to all customers (i.e. including the CIMC Group and independent customers). 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 Group's finance department will also keep detailed records of the actual production cost of products supplied by the Group to all customers 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 Group will review and adjust the Product Price List regularly with reference to such records. Since the prices to be offered to the CIMC Group will be based on the Product Price List, it will ensure the transactions are conducted in accordance with the pricing terms pursuant to the Master Sales Agreement (2016).

In light of the Proposed Sales Annual Caps, each members of the Group will report their transaction amount contemplated under the Master Sales Agreement (2016) every month end to the Group's finance department, who will then prepare a related party transaction report setting out the transaction amount of the corresponding month and also an aggregated transaction amount of the respective year. The Group's finance department will closely monitor the aggregated transaction amount to ensure the Proposed Sales Annual Caps are not exceeded.

We have obtained and reviewed samples of the Product Price List and the related party transaction report during the terms of the Existing Master Sales Agreement. We consider the Group has applied the aforementioned internal control measures during the terms of the Existing Master Sales Agreement effectively and the same will be applied during the Master Sales Agreement (2016). Therefore, we consider these internal control measures are effective to ensure the transactions contemplated under the Master Sales Agreement (2016) will be conducted in accordance with the pricing terms of the Master Sales Agreement (2016) and the Proposed Sales Annual Caps are not exceeded.

### **D. Measures to ensure compliance with the Listing Rules**

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Non-exempted Continuing Connected Transactions are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the Non-exempted Continuing Connected Transactions every year and confirm in the annual report and accounts that the Non-exempted Continuing Connected Transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;

## LETTER FROM INNOVAX

- (ii) on normal commercial terms or better; and
  - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the Non-exempted Continuing Connected Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Non-exempted Continuing Connected Transactions:
- (i) have not been approved by the Board;
  - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the Non-exempted Continuing Connected Transactions involve the provision of goods or services by the Group;
  - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the Non-exempted Continuing Connected Transactions; and
  - (iv) have exceeded the Proposed Deposit Annual Caps and/or the Proposed Sales Annual Caps;
- (c) the Company must allow, and ensure that the counterparties to the Non-exempted Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Non-exempted Continuing Connected Transactions as set out in paragraph (b); and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements attached to the Non-exempted Continuing Connected Transactions, in particular, (i) the restriction of the value of the Non-exempted Continuing Connected Transactions by way of the Proposed Deposit Annual Caps and the Proposed Sales Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms and that the respective caps not being exceeded, we are of the view that appropriate measures will be in place to monitor the conduct of the transactions and assist to safeguard the interests of the Independent Shareholders.

## LETTER FROM INNOVAX

### IV. RECOMMENDATION

Having considered the above principal factors and reasons, we concur with the Directors' view that (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 Proposed Sales Annual Caps), are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and in the ordinary and usual course of business of the Group, are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to, and also recommend the Independent Shareholders to, vote in favour of the relevant resolutions in relation to (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 Proposed Sales Annual Caps) at the EGM.

Yours faithfully,

For and on behalf of

**Innovax Capital Limited**

**Calvin Poon**

*Managing Director*

**Alvin Wong**

*Director*

*Mr. Calvin Poon and Mr. Alvin Wong are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Innovax Capital Limited. Mr. Calvin Poon and Mr. Alvin Wong have over 13 and 6 years of experience in corporate finance industry, respectively.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

### (a) Long positions in the Shares

Name of Director	Capacity	Interests in underlying Shares pursuant to share options	% of issued share capital (Note)
Gao Xiang	Beneficial owner	1,900,000	0.10%
Liu Chunfeng	Beneficial owner	800,000	0.04%
Jin Jianlong	Beneficial owner	1,400,000	0.07%
Yu Yuqun	Beneficial owner	1,298,000	0.07%
Jin Yongsheng	Beneficial owner	1,100,000	0.06%
Wong Chun Ho	Beneficial owner	1,100,000	0.06%
Tsui Kei Pang	Beneficial owner	600,000	0.03%
Zhang Xueqian	Beneficial owner	600,000	0.03%

*Note:* The percentage is calculated based on the total number of ordinary Shares in issue as at the Latest Practicable Date, which was 1,936,966,088.

**(b) Long positions in the underlying Shares of equity derivatives of the Company**

Options were granted by the Company on 11 November 2009, 28 October 2011 and 5 June 2014 under a share option scheme approved by the shareholders on 12 July 2006.

Name of Director	Capacity	Exercise price (HK\$)	Interests in underlying Shares pursuant to share options	Exercisable period	% of issued share capital of the Company as at the Latest Practicable Date
Gao Xiang	Beneficial owner	4.00	1,000,000	11/11/2010-10/11/2019	0.05%
		2.48	500,000	28/10/2013-27/10/2021	0.03%
		11.24	400,000	05/06/2016-04/06/2024	0.02%
Liu Chunfeng	Beneficial owner	2.48	400,000	28/10/2013-27/10/2021	0.02%
		11.24	400,000	05/06/2016-04/06/2024	0.02%
Jin Jianlong	Beneficial owner	4.00	800,000	11/11/2010-10/11/2019	0.04%
		2.48	300,000	28/10/2013-27/10/2021	0.02%
		11.24	300,000	05/06/2016-04/06/2024	0.02%
Yu Yuqun	Beneficial owner	4.00	698,000	11/11/2010-10/11/2019	0.04%
		2.48	300,000	28/10/2013-27/10/2021	0.02%
		11.24	300,000	05/06/2016-04/06/2024	0.02%
Jin Yongsheng	Beneficial owner	4.00	500,000	11/11/2010-10/11/2019	0.03%
		2.48	300,000	28/10/2013-27/10/2021	0.02%
		11.24	300,000	05/06/2016-04/06/2024	0.02%
Wong Chun Ho	Beneficial owner	4.00	500,000	11/11/2010-10/11/2019	0.03%
		2.48	300,000	28/10/2013-27/10/2021	0.02%
		11.24	300,000	05/06/2016-04/06/2024	0.02%
Tsui Kei Pang	Beneficial owner	2.48	300,000	28/10/2013-27/10/2021	0.02%
		11.24	300,000	05/06/2016-04/06/2024	0.02%
Zhang Xueqian	Beneficial owner	2.48	300,000	28/10/2013-27/10/2021	0.02%
		11.24	300,000	05/06/2016-04/06/2024	0.02%

*Notes:*

- Regarding the share options granted on 11 November 2009: Subject to certain conditions as stated in the offer letter to the respective grantee, 50% of the options granted to any grantee become exercisable from 11 November 2010 and up to 10 November 2019; and the remaining 50% of which become exercisable from 11 November 2011 and up to 10 November 2019. The exercise price of all the options granted is HKD4.00 per Share.

2. Regarding the share options granted on 28 October 2011: Subject to certain conditions as stated in the offer letter to the respective grantee, 40% of the options granted to any grantee become exercisable from 28 October 2013 and up to 27 October 2021; 30% of which become exercisable from 28 October 2014 and up to 27 October 2021; and the remaining 30% of which become exercisable from 28 October 2015 and up to 27 October 2021. The exercise price of all the options granted is HKD2.48 per Share.
3. Regarding the share options granted on 5 June 2014: Subject to certain conditions as stated in the offer letter to the respective grantee, 40% of the options granted to any grantee become exercisable from 5 June 2016 and up to 4 June 2024; 30% of which become exercisable from 5 June 2017 and up to 4 June 2024; and the remaining 30% of which become exercisable from 5 June 2018 and up to 4 June 2024. The exercise price of all the options granted is HKD11.24 per Share.

(c) Long positions in the shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares/ underlying shares held	Shareholding %
CIMC Vehicle (Group) Co., Ltd	Gao Xiang	Beneficiary of a trust (Note 1)	1,350,000	0.61% (Note 2)
	Liu Chunfeng	Beneficiary of a trust (Note 1)	1,000,000	0.45% (Note 2)
	Jin Jianlong	Beneficiary of a trust (Note 1)	2,350,000	1.06% (Note 2)
	Yu Yuqun	Beneficiary of a trust (Note 1)	2,350,000	1.06% (Note 2)
CIMC (A shares)	Gao Xiang	Beneficial owner (Note 3)	375,000	0.03% (Note 4)
	Liu Chunfeng	Beneficial owner (Note 3)	177,400	0.01% (Note 4)
	Jin Jianlong	Beneficial owner (Note 3)	850,000	0.07% (Note 4)
	Yu Yuqun	Beneficial owner (Note 3)	750,000	0.06% (Note 4)
CIMC (H shares)	Liu Chunfeng	Beneficial owner	10,200	0.01% (Note 5)

Notes:

1. Pursuant to a stock credit plan (the “**Stock Credit Plan**”) adopted by CIMC Vehicle (Group) Co., Ltd, China Resources SZITIC Trust Co., Ltd. has been appointed as trustee to acquire and to hold on trust, for the benefit of certain employees of CIMC Vehicle (Group) Co., Ltd, a 20% equity interest in CIMC Vehicle (Group) Co., Ltd. Mr. Gao Xiang, Mr. Liu Chunfeng, Mr. Jin Jianlong and Mr. Yu Yuqun, all being executive Directors, are participants in the Stock Credit Plan. CIMC Vehicle (Group) Co., Ltd is controlled by CIMC as to 80%.

2. The percentage was calculated based on the total number of allocated stock credit units under the Stock Credit Plan as at the Latest Practicable Date, which was 220,700,000.
3. Mr. Gao Xiang, Mr. Liu Chunfeng, Mr. Jin Jianlong and Mr. Yu Yuqun were granted stock options (A shares) by CIMC on 28 September 2010, pursuant to a stock option incentive scheme adopted by CIMC. The stock options granted to any grantee are exercisable at an exercise price of RMB10.55 per share, and 25% of which are exercisable between 28 September 2012 and 26 September 2014; another 75% of which are exercisable between 28 September 2014 and 27 September 2020.
4. The percentage was calculated based on the total number of share capital of CIMC (A shares) in issue as at the Latest Practicable Date, which was 1,262,030,377.
5. The percentage was calculated based on the total number of share capital of CIMC (H shares) in issue as at the Latest Practicable Date, which was 1,716,576,609.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.



### 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

So far as was known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) or corporations had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:

Substantial shareholder	Capacity	Number of shares held as at the Latest Practicable Date	% of issued share capital as at the Latest Practicable Date <i>(Note 1)</i>
CIMC	Interest of controlled corporation	1,371,016,211 <i>(Note 2)</i>	70.78%
CIMC HK	Interest of controlled corporation	190,703,000 <i>(Note 3)</i>	9.85%
	Interest of controlled corporation	39,740,566 <i>(Note 4)</i>	2.05%
	Beneficial owner	1,140,572,645	58.88%
Charm Wise	Beneficial owner	190,703,000 <i>(Note 3)</i>	9.85%

*Notes:*

- The percentages were calculated based on the total number of ordinary Shares in issue as at the Latest Practicable Date, which was 1,936,966,088.
- These ordinary Shares comprise 190,703,000 ordinary Shares held by Charm Wise, 1,140,572,645 ordinary Shares held by CIMC HK and 39,740,566 ordinary Shares held by CIMC Tank Equipment. Charm Wise, CIMC HK and CIMC Tank Equipment are wholly-owned subsidiaries of CIMC.
- The two references to 190,703,000 ordinary Shares refer to the same block of Shares held by Charm Wise, which is a wholly-owned subsidiary of CIMC HK.
- These ordinary shares are held by CIMC Tank Equipment, a wholly-owned subsidiary of CIMC HK.

5. The table below sets out the posts held by the Directors in the following substantial shareholders as at the Latest Practicable Date:

*CIMC*

**Name of Director**

Gao Xiang

Jin Jianlong

Yu Yuqun

*CIMC HK*

**Name of Director**

Jin Jianlong

*Charm Wise*

**Name of Director**

Gao Xiang

**Post held in CIMC**

Vice-president

General manager of financial management department

Company secretary

**Post held in CIMC HK**

Director

**Post held in Charm Wise**

Director

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which do not expire or are not terminable within one year without payment of compensation (other than statutory compensation).

#### 5. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors, the proposed Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

#### 6. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors and proposed Directors had any direct or indirect interest in any assets which had been, since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

#### 7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up.

**8. EXPERT**

The following is the qualifications of the expert which has given its opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Innovax Capital Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Innovax did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Innovax did not have any direct or indirect interest in any assets which had been, since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Innovax has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name in the form and context in which they appear.

The letter is given by Innovax as of the date of this circular for incorporation herein.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents (or copies thereof) will be available for inspection at Unit 908, 9th Floor, Fairmont House, No. 8 Cotton Tree Drive, Central, Hong Kong during normal business hours within 14 days from the date of this circular:

- (a) the Existing Financial Services Framework Agreement;
- (b) the Financial Services Framework Agreement (2016);
- (c) the Existing Master Sales Agreement;
- (d) the Master Sales Agreement (2016);
- (e) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (f) the letter from Innovax, the text of which is set out in this circular; and

- (g) the consent letter of Innovax referred to in the paragraph headed “*Expert*” in this appendix.

#### 10. GENERAL

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is at Unit 908, 9th Floor, Fairmont House, No. 8 Cotton Tree Drive, Central, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Cheong Siu Fai who is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Association of International Accountants in the United Kingdom.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

# 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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of CIMC Enric Holdings Limited (the “Company”) will be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 14 February 2017 at 3:00 p.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “THAT

- (a) the Financial Services Framework Agreement (2016) (a copy is marked “A” and tabled before the meeting for identification purpose), the continuing connected transactions of the Deposit Services contemplated thereunder and the Proposed Deposit Annual Caps (all capitalised terms as defined and described in the circular of the Company dated 26 January 2017 of which this notice forms part), and all other transactions contemplated thereunder and in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the Financial Services Framework Agreement (2016), the continuing connected transactions of the Deposit Services contemplated thereunder and the Proposed Deposit Annual Caps (all capitalised terms as defined and described in the circular of the Company dated 26 January 2017 of which this notice forms part) as they may in their discretion consider to be desirable and in the interests of the Company.”

## NOTICE OF EGM

2. “THAT

- (a) the Master Sales Agreement (2016) (as defined and described in the circular of the Company dated 26 January 2017 of which this notice forms part, and a copy is marked “B” and tabled before the meeting for identification purpose), the continuing connected transactions contemplated thereunder and the proposed annual caps for such transactions, and all other transactions contemplated thereunder and in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the Master Sales Agreement (2016) (as defined and described in the circular of the Company dated 26 January 2017 of which this notice forms part), the continuing connected transactions contemplated thereunder and the proposed annual caps for such transactions as they may in their discretion consider to be desirable and in the interests of the Company.”

By order of the Board  
**CIMC Enric Holdings Limited**  
**Gao Xiang**  
*Chairman*

Hong Kong, 26 January 2017

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business in Hong Kong:*

Unit 908, 9th Floor  
Fairmont House  
No. 8 Cotton Tree Drive  
Central  
Hong Kong

## NOTICE OF EGM

*Head office in the PRC:*  
CIMC R&D Center  
No. 2 Gangwan Avenue  
Shekou Industrial Zone  
Shenzhen, Guangdong  
The PRC

*Notes:*

1. A member of the Company entitled to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be delivered to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof).
3. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM (or any adjournment thereof) if such member of the Company so desires, and in such event, the form of proxy shall be deemed to be revoked.
4. Where there are joint holders of any share in the Company, any one of such joint holders may vote at the EGM (or any adjournment thereof), either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM (or any adjournment thereof), the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. As at the date of this notice, the board of directors of the Company 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.