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## CONNECTED TRANSACTIONS

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### Connected Transactions

Pursuant to Chapter 14A of the Hong Kong Listing Rules, upon the listing of the H Shares on the Hong Kong Stock Exchange, the transactions between us and our Connected Persons will constitute connected transactions.

### Non-exempt Continuing Connected Transactions

#### *Provision of Securities and Financial Services to Galaxy Financial Holdings Group*

In the ordinary course of business, we provide securities brokerage and sales agency services to Galaxy Financial Holdings Group and also lease our exchange trading units to Galaxy Financial Holdings Group, for which we receive service charges and commissions from Galaxy Financial Holdings Group. We also pay interest to Galaxy Financial Holdings Group in respect of its funds entrusted to us.

Immediately following completion of the Global Offering, Galaxy Financial Holdings will be interested in approximately 70% of our enlarged issued share capital assuming the Over-allotment Option is not exercised (or approximately 67% if the Over-allotment Option is fully exercised). Galaxy Financial Holdings will therefore remain as a substantial Shareholder of our Company following the Global Offering. Hence, Galaxy Financial Holdings and its associates are our Connected Persons. The provision of securities and financial services by us to Galaxy Financial Holdings Group will constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

To comply with the requirements of the Hong Kong Listing Rules, we entered into the Securities and Financial Services Framework Agreement (the “Framework Agreement”) with Galaxy Financial Holdings Group on May 2, 2013. Pursuant to the Framework Agreement, we will provide securities and financial services to Galaxy Financial Holdings Group on normal commercial terms. The Framework Agreement will be effective from the Listing Date and has a fixed term of three years, subject to renewal.

#### *Pricing Basis*

Pursuant to the Framework Agreement, the service charges and commissions to be charged by us for provision of securities and financial services and the interest payable by us for the entrusted funds shall be based on the negotiation between the parties with reference to the prevailing market rates and shall be in compliance with the applicable laws and regulations.

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### *Historical Figures*

A breakdown of historical transaction amounts in respect of the service charges and commissions payable by Galaxy Financial Holdings Group to us, and the interest payable by us to Galaxy Financial Holdings Group for the entrusted funds, for each of the three years ended December 31, 2012 are as follows:

<u>Securities and Financial Services</u>	Historical figures for each of the three years ended December 31, 2012		
	2010	2011	2012
	(RMB in millions)		
<b>Revenue</b>			
Securities brokerage services . . . . .	0.27	0.13	0.20
Agency sale services . . . . .	3.91	1.17	3.78
Trading units lease . . . . .	8.57	8.23	7.63
<b>Total</b> . . . . .	<b>12.75</b>	<b>9.53</b>	<b>11.61</b>
<b>Expenses</b>			
Interest <sup>(1)</sup> . . . . .	1.15	0.22 <sup>(2)</sup>	0.15

(1) The interest paid by us to Galaxy Financial Holdings Group for the entrusted funds was based on the negotiation between the parties with reference to the prevailing benchmark interest rates announced by the PBOC.

(2) The decrease in the interest paid to Galaxy Financial Holdings Group for the funds entrusted in 2011 as compared to 2010 was primarily due to the decrease in the average balance of funds entrusted to us by Galaxy Financial Holdings Group in 2011.

### *Annual Caps*

The Directors estimate the annual caps for the continuing connected transactions in respect of the provision of securities and financial services by us to Galaxy Financial Holdings Group as follows:

	Annual caps for each of the three years ending December 31, 2015		
	2013	2014	2015
	(RMB in millions)		
Revenue . . . . .	11.58	12.40	12.52
Interest expenses . . . . .	1.72	1.72	1.72

When estimating the annual caps, the Directors have considered the following factors:

- historical transaction amounts;
- the reasonably expected ranges of service charges and commissions and interest rates;
- the estimation of our brokerage, sales and trading business; and
- the anticipated commercial transactions between Galaxy Financial Holdings Group and our Company.

In addition, the estimated annual caps have been based on the principal assumptions that, for the duration of the Framework Agreement, there will not be any adverse change in market conditions, operation and business environment or government policies which may materially affect our business and that of Galaxy Financial Holdings Group.

### *Implications under the Hong Kong Listing Rules*

The transactions will, upon the Listing, constitute non-exempt continuing connected transactions of the Company. As the highest applicable percentage ratios (other than the profit ratios)

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calculated by reference to Rule 14.07 of the Hong Kong Listing Rules is on an annual basis above 0.1% and less than 5%, the transactions are subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver pursuant to Rule 14A.42(3) of the Hong Kong Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Hong Kong Listing Rules.

Our Directors, including the independent non-executive Directors, consider that (i) it is our interest to continue the transactions with Galaxy Financial Holdings Group after the Listing; (ii) the continuing connected transactions are entered into in the ordinary course of business and on normal commercial terms and are fair and reasonable so far as our Company and our Shareholders are concerned; and (iii) the proposed annual caps for the continuing connected transactions are fair and reasonable and in the interests of the Company and Shareholders as a whole.

In addition, we will comply with the reporting requirements and disclose the details of the transactions in our subsequent annual reports for each of the three financial years ending December 31, 2015 pursuant to Rules 14A.45 and 14A.46 of the Hong Kong Listing Rules. Upon the expiry of the waiver after December 31, 2015, we shall comply with the applicable provisions of Chapter 14A of the Hong Kong Listing Rules as amended from time to time or apply for relevant waivers.

### ***Joint Sponsors' Confirmation***

The Joint Sponsors are of the view that (i) the continuing connected transactions as waived by the Hong Kong Stock Exchange are entered into in our ordinary course of business and on normal commercial terms, and are fair and reasonable in the interests of our Shareholders as a whole; and (ii) the annual caps for such transactions are fair and reasonable.