
CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, our Group had entered into a number of transactions with counterparties who will become connected persons of our Company immediately upon Listing. These transactions will continue after Listing on a continuing or recurring basis and will therefore constitute continuing connected transactions for our Company under the Hong Kong Listing Rules.

I. EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions will constitute exempt continuing connected transactions for our Company and will be exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

A. Entrusted Loan Agreements

CNRG has provided certain entrusted loans to our Group. CNRG is our Controlling Shareholder and therefore a connected person of our Company under Rule 14A.11(1) of the Hong Kong Listing Rules upon Listing. Such entrusted loan arrangement is expected to continue after Listing and would therefore constitute continuing connected transactions of our Group upon Listing.

The historical amounts for the entrusted loans provided by CNRG to our Group for the three years ended 31 December 2013 were as follows:

Connected Person	Transaction	Type	Historical Annual Figures (RMB'000)		
			2011	2012	2013
CNRG is the Controlling Shareholder of our Company and thus a connected person under Rule 14A.11(1) of the Hong Kong Listing Rules.	Provision of entrusted loan by CNRG to our Group	Loan provision	1,200,000	—	601,980

Pursuant to the entrusted loan agreements (the “**Entrusted Loan Agreements**”) dated 27 December 2013 and 31 December 2013, respectively, entered into by CNRG, China CITIC Bank Corporation Limited (中信銀行股份有限公司) and our Company, CNRG lent to our Company an aggregate amount equal to RMB602.0 million through China CITIC Bank Corporation Limited at a fixed interest rate of 4.40% per annum to be used directly on projects sponsored by fiscal funds or to supplement the working capital spent on projects sponsored by fiscal funds (the “**Entrusted Loans**”). The term of each of the loan is one year.

The Directors are of the view that the provision of the Entrusted Loans by CNRG, being a form of financial assistance (as defined under the Hong Kong Listing Rules), for our benefit, is fair and reasonable, on normal commercial terms and in our Company and our Shareholders' interest. No security over our assets is granted to CNRG in respect of the provision of the Entrusted Loans.

Accordingly, the Entrusted Loans are exempt from compliance with the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Hong Kong Listing Rules.

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See “Relationship with Controlling Shareholder—Independence from the Controlling Shareholder—Financial Independence” in respect of the arrangements to repay the Entrusted Loans upon Listing.

II. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. Accessories Sales Agreement

The following table sets forth a summary of the Accessories Sales Agreement to be entered into between our Company and Mr. Yu prior to Listing (the “**Accessories Sales Agreement**”). The underlying transactions constitute non-exempt continuing connected transactions under Rule 14A.34 of the Hong Kong Listing Rules, for which a waiver from the announcement requirement is sought on the basis that each transaction will be subject to the relevant proposed annual caps referred to in this table.

Connected Person	Transaction	Type	Historical Annual Figures (RMB'000)			Proposed Annual Caps (RMB'000)		
			2011	2012	2013	2014	2015	2016
Mr. Yu Jinkun (俞金坤) (“Mr. Yu”) is a director of CNR Changchun, our non-wholly owned subsidiary of our Company and thus a connected person under Rule 14A.11(1) of the Hong Kong Listing Rules	Sales of accessories and parts by Mr. Yu and his associates ⁽¹⁾ to our Group	Goods	2,147,425	1,082,653	504,061 ⁽²⁾	900,000	950,000	1,000,000
	Sales of accessories and parts and provision of services by our Group to Mr. Yu and his associates	Goods and services	35,531	28,589	29,469	45,000	50,000	55,000

Notes:

- (1) Mr. Yu is a director of KTK Group Co., Ltd.* (今創集團股份有限公司) (“**KTK Group**”), which designs, researches and manufactures rolling stock, accessories and parts. KTK Group is an associate of Mr. Yu by virtue of his 35.7% equity interest in it. Other associates of Mr. Yu include companies that manufacture machinery, equipment and core system and components of rolling stock. They are associates of Mr. Yu by virtue of Mr. Yu’s son-in-law’s equity interests in these companies.
- (2) The decreasing of the purchase amounts of accessories and parts from Mr. Yu and his associates by our Group during the Track Record Period was mainly due to the facts that i) the period for delivering the high-speed MUs and high-powered locomotives (using accessories and parts from Mr. Yu and his associates) purchased by the former MOR pursuant to an order in 2009 was from 2009 to 2013; ii) most of the High-speed MUs were centrally delivered in 2010 and 2011, and gradually reduced in 2012 and 2013; and iii) in particular, the high-powered locomotives have been basically delivered by 2012.

The Accessories Sales Agreement contains the binding principles, guidelines and terms and conditions in accordance with which any and all products and services contemplated therein are to be provided by the relevant provider to the relevant recipient. The general terms of the Accessories Sales Agreement are set out below:

Scope of Services

Pursuant to the Accessories Sales Agreement, for the parties’ production and operational needs, our Group and Mr. Yu and his associates shall engage in the mutual sales of certain accessories and parts for production use and the provision of services by our Group to Mr. Yu and his associates.

Price Determination

The Accessories Sales Agreement provides that the relevant products must be provided in accordance with the following general pricing principles:

- (1) relevant market price;
- (2) in the absence of the relevant market prices, with reference to the price for similar transactions with an Independent Third Party; or

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- (3) where none of the above prices exists, then according to the price to be agreed between the parties. The agreed price will be calculated based on the actual cost or reasonable cost (whichever is lower) incurred in providing such product or service plus a reasonable profit.

In determining the prices for the purchase of accessories and parts from Mr. Yu and his associates, our Group will obtain through, among other things, recent transaction prices of our Group in the market, prices of similar products in the market by making enquiry with industry players and conducting researches on industry websites to determine the reference prices, which will then be compared against the prices quoted by Mr. Yu and his associates to ensure that prices for the accessories and parts will be no less favorable to our Company than that available from independent suppliers. In the unlikely event that no comparable market price can be taken, experts in our Group with sufficient industry experience could opine on the fairness and reasonableness of the price by reference to the comparable price and/or historical transaction price of the most similar items to ensure that the price would be fair and reasonable to our Group and no less favorable to our Company than that available to/from (as appropriate) independent suppliers.

Our Group has a pricing policy for its sales of accessories and parts which is applicable to all customers. In setting or revising the pricing for accessories and parts to Mr. Yu and his associates, market prices are obtained through, among other things, recent transaction prices of our Group in the market, enquiry with industry players and researches on industry websites. The prices for the accessories and parts to be charged by our Group to Mr. Yu and his associates will be determined in accordance with such pricing policy and will not be less favorable than the price of similar products and services provided by our Group to independent customers.

Term and Termination

The Accessories Sales Agreement is for a period of three years and shall be effective upon Listing. The Accessories Sales Agreement may be terminated: (i) upon expiration; (ii) by mutual agreement between the parties; or (iii) by operation of the relevant laws, rules and regulations or order of the relevant courts. The term of the Accessories Sales Agreement can be extended or renewed, provided that the relevant parties agree to such extension or renewal and the requirements under the relevant laws, rules and regulations and the Hong Kong Listing Rules are complied with.

Proposed Annual Caps

The proposed annual caps are determined after taking into account the following factors: (i) the terms of the currently valid sales agreement; (ii) the historical demand for and types of accessories and parts; (iii) the backlog of our Group, the future business needs of our Group and the expected increase in demand for accessories and parts for our production of rolling stock; (iv) the expected expansion of business of Mr. Yu and his associates and our capability to supply the accessories and parts as well as provision of services; and (v) the expected market price of the relevant products based on the market conditions in the PRC going forward.

The components purchased by our Company from Mr. Yu and his associates were mainly used for the manufacture of high-speed MUs. The purchase amount of our Company in 2013 was approximately RMB504.1 million. The estimated annual cap for purchase in 2014 is RMB900.0 million, representing a significant increase from 2013 mainly due to: (i) the substantial increase in the orders of high-speed MUs which have already been obtained by our Company and are required to be delivered in 2014, for which

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the purchase amount is expected to be approximately RMB700.0 million; and (ii) the expected new orders in the second half of the year. The annual caps for purchase in 2015 and 2016 are set to increase by RMB50.0 million from the previous year, representing increases of approximately 5.6% and 5.3%, respectively. The increases have taken into account the potential growth in the orders of new high-speed MUs in the coming two years.

Reasons for Transactions

We consider it is in our Group's interests to enter into the aforesaid transactions with Mr. Yu on the basis of: (i) the long standing business relationship between Mr. Yu and our Group; and (ii) the mutual understanding of business needs and capabilities to supply the accessories and parts for production use.

B. Mutual Supply Agreement

The following table sets forth a summary of the mutual supply agreement entered into between our Company and CNRG dated 6 April 2011 (the "Mutual Supply Agreement"). The underlying transactions constitute non-exempt continuing connected transactions under Rule 14A.34 of the Hong Kong Listing Rules, for which a waiver from the announcement requirement is sought on the basis that each transaction will be subject to the relevant proposed annual caps referred to in this table.

<u>Connected Person</u>	<u>Transaction</u>	<u>Type</u>	<u>Historical Annual Figures (RMB'000)</u>			<u>Proposed Annual Caps (RMB'000)</u>		
			<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
CNRG is the Controlling Shareholder of our Company and thus a connected person under Rule 14A.11(1) of the Hong Kong Listing Rules	Supply of products, raw materials and services by our Group to CNRG Group	Goods & Services	80,298	37,642	63,238	350,000	420,000 ⁽¹⁾	500,000 ⁽¹⁾
	Supply of products, raw materials and services by CNRG Group to our Group	Goods & Services	104,239	238,603	184,062	230,000	280,000 ⁽¹⁾	340,000 ⁽¹⁾

(1) The Mutual Supply Agreement will expire on 25 June 2014. CNRG and our Company propose to renew the Mutual Supply Agreement on similar terms for a term of three years. The renewed Mutual Supply Agreement is subject to the Shareholders' approval.

The Mutual Supply Agreement contains the binding principles, guidelines and terms and conditions in accordance with which any and all products and services contemplated therein are to be provided by the relevant provider to the relevant recipient. The general terms of the Mutual Supply Agreement are set out below:

Scope of Services

Pursuant to the Mutual Supply Agreement, for the parties' production and operational needs, our Group and CNRG Group shall engage in certain connected transactions, including but not limited to the mutual supply of products (such as equipment and parts and accessories), raw materials, or services (such as the provision of utilities, building leasing and administrative support).

Price Determination

The Mutual Supply Agreement provides that the relevant products must be provided in accordance with the following general pricing principles:

- (1) state-prescribed price;
- (2) where there is no state-prescribed price, then according to state guidance price;

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- (3) where there is neither state-prescribed price nor state guidance price, then according to relevant market price;
- (4) in the absence of the above prices, with reference to the price for similar transaction with an Independent Third Party; or
- (5) where none of the above prices exists, then according to the price to be agreed between the parties. The agreed price will be calculated based on the actual cost or reasonable cost (whichever is lower) incurred in providing such product or service plus a reasonable profit.

In determining the prices for the purchase of products, raw materials and services from CNRG Group, our Group will obtain through, among other things, recent transaction prices of our Group in the market, prices of similar products in the market by making enquiry with industry players and conducting researches on industry websites to determine the reference prices, which will then be compared against the prices quoted by CNRG Group to ensure that prices for the accessories and parts will be no less favorable to our Company than that available from independent suppliers. In the unlikely event that no comparable market price can be taken, experts in our Group with sufficient industry experience could opine on the fairness and reasonableness of the price by reference to the comparable price and/or historical transaction price of the most similar items to ensure that the price would be fair and reasonable to our Group and no less favorable to our Group than that available to/from (as appropriate) independent suppliers.

Our Group has a pricing policy for its sales of products, raw materials and services which is applicable to all customers. In setting or revising the pricing for the sales of products, raw materials and services to CNRG Group, market prices are obtained through, among other things, recent transaction prices of our Group in the market, enquiry with industry players and researches on industry websites. The prices for the products, raw materials and services to be charged by our Group to CNRG Group will be determined in accordance with such pricing policy and will not be less favorable than the price of similar products and services provided by our Group to independent customers.

Term and Termination

The Mutual Supply Agreement is for a period of three years commencing from 26 June 2011. The Mutual Supply Agreement may be terminated: (i) upon expiration; (ii) by mutual agreement between the parties; or (iii) by operation of the relevant laws, rules and regulations or order of the relevant courts. The term of the Mutual Supply Agreement can be extended or renewed, provided that the relevant parties agree to such extension or renewal and the requirements under the relevant laws, rules and regulations and the Hong Kong Listing Rules are complied with. The Mutual Supply Agreement will expire on 25 June 2014. CNRG and our Company propose to renew the Mutual Supply Agreement on similar terms for a term of three years. The renewed Mutual Supply Agreement is subject to the Shareholders' approval.

Proposed Annual Caps

The proposed annual caps are determined after taking into account the following factors: (i) the historical figures set out in the tables above; (ii) the terms of the currently valid supply agreement; (iii) the future business needs of our Group and CNRG Group; and (iv) the expected market price of the relevant products and services based on the market conditions in the PRC going forward.

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Reasons for the increase in the Proposed Annual Caps

The increase in the Proposed Annual Caps for the supply of products, raw materials and services by our Group to CNRG Group results from the facts that (i) CNRG Group proposed to engage in communication signal in relation to rolling stock industry or other business related to railway, which expect to source certain amounts of rolling stock products' electrical components from our Group; and (ii) the scale of CNRG Group's ship and marine engineering business will expand quickly in the following years, which has a great demand for components manufactured by our Group, including but not limited to, electric motors, electric controlling systems and diesel engines used for the ships. (In 2013, the revenue of the CNRG Group generated from the marine engineering and ship business was RMB89.0 million and it is expected that such revenue in 2014 will be RMB800.0 million).

The increase in the Proposed Annual Caps for supply of products, raw materials and services by CNRG Group to our Group results from the facts that: (i) as the rapid development of the our Group's BT projects business and other type of emerging industry business, the CNRG Group will provide rolling stock communication signal products, switches and other products in connection with our Group's BT projects business and other emerging industry business; and (ii) the business type of our Group will be further diversified and the business scale of our Group will continue to expand.

Reasons for Transactions

We consider it is in our Group's interests to enter into the aforesaid transactions with CNRG Group to ensure the stable provision and supply of our products, raw materials and services. CNRG Group is familiar with our business needs and transactions between the parties can minimize the associated administrative and transportation costs.

C. Financial Services Agreement (CNRG)

The following table sets forth a summary of the financial services agreement entered into between CNR Financial and CNRG dated 9 April 2013 (the "**Financial Services Agreement (CNRG)**"). The underlying transactions constitute non-exempt continuing connected transactions under Rule 14A.34 of the Hong Kong Listing Rules, for which a waiver from the announcement requirement is sought on the basis that each transaction will be subject to the relevant proposed annual caps referred to in this table.

Connected Person	Transaction	Type	Historical Annual Figures (RMB'000)			Proposed Annual Caps (RMB'000)		
			2011	2012	2013	2014	2015	2016
CNRG is the Controlling Shareholder of our Company and thus a connected person under Rule 14A.11(1) of the Hong Kong Listing Rules.	Provision of financial services by CNR Financial to CNRG Group							
	(a) Maximum daily outstanding balance of deposits (inclusive of interests and fees) placed by CNRG Group with CNR Financial	Deposit taking and services	—	—	631,288	1,500,000 ⁽¹⁾	2,000,000 ⁽²⁾	N/A
	(b) Maximum daily outstanding balance of loans granted by CNR Financial to CNRG Group	Loan provision	—	—	—	1,500,000 ⁽¹⁾	1,500,000 ⁽²⁾	N/A

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Notes:

- (1) Based on the terms of the Financial Services Agreement (CNRG).
- (2) The initial term of the Financial Services Agreement (CNRG) will expire at the 2013 annual general meeting of our Company which is expected to be held on or before 14 May 2014. CNR Financial and CNRG propose to renew the Financial Services Agreement (CNRG) on similar terms for a term until the 2014 annual general meeting of our Company. The renewed Financial Services Agreement (CNRG) is subject to the Shareholders' approval.

Background of CNR Financial

CNR Financial was established in November 2012 with the aim to provide financial services to members of the CNRG Group and our Group. CNR Financial is a licensed financial institution registered with the CBRC, and is regulated by the CBRC as well as the PBOC. Being a recently established company, CNR Financial has yet to obtain any credit rating. As at 31 December 2013, the total assets value of CNR Financial was approximately RMB9,436.4 million which included liquid assets of approximately RMB7,631.3 million, and the profit after tax was approximately RMB104.3 million. As at 31 December 2013, the deposits and loans were approximately RMB7,614.0 million and RMB1,799.3 million, respectively.

On 11 March 2014, our Company entered into an agreement to acquire 8.33% interest in CNR Financial from CNRG. The acquisition was completed on 28 March 2014 and CNR Financial is owned as to 91.66% by our Company and as to 8.34% by CNRG.

The acquisition of the 8.33% interest in CNR Financial was sourced from the working capital of our Company and the basis of consideration was determined with reference to independent valuation.

CNR Financial is primarily engaged in:

- (1) provision of financial and financing advisory, credit verification and related consultation and commission services to member companies;
- (2) assisting member companies in collection and payment of transaction funds, and approved insurance agency business;
- (3) provision of guarantee to member companies;
- (4) provision of entrusted loans among member companies;
- (5) honoring and discounting notes to member companies;
- (6) handling internal transfer and settlement among member companies and related settlement and liquidation plan;
- (7) attracting deposits from member companies;
- (8) provision of loans and financing lease services to member companies; and
- (9) provision of inter-bank lending/borrowing services.

Pursuant to the Financial Services Agreement (CNRG), for the parties' production and operational needs, CNR Financial agreed to provide and CNRG and members of its group agreed to accept certain financial services pursuant to the terms of the Financial Services Agreement (CNRG).

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Scope of Services

Pursuant to the Financial Services Agreement (CNRG), CNR Financial shall provide the following services to CNRG Group:

- (1) deposit services;
- (2) credit services;
- (3) clearing and settlement services; and
- (4) all other services CNR Financial is permitted to provide within its business scope as approved by the CBRC.

During the term of the Financial Services Agreement (CNRG), the maximum daily outstanding balance of deposits (inclusive of interests and fees) placed by CNRG Group with CNR Financial shall not exceed RMB1.5 billion. And the maximum daily outstanding balance of loans granted by CNR Financial to CNRG Group shall not exceed the balance of deposit placed by CNRG Group.

Risk control policies

According to the risk control policy of CNR Financial, the term of loan shall be agreed between the parties based on the production and operation cycle, solvency of the borrower and the liquidity of the financial company. The term of loan for working capital shall be six months or one year, which shall be determined in accordance with the short-term solvency of the borrower. The term of loan for projects shall be determined in accordance with the progress of project approval of the approval authority and the forecast cashflow of the project.

For each borrower, the aggregate amount of loans shall not exceed the credit line and shall be determined in accordance with the relevant guidelines of the PBOC and the financial conditions of such borrower.

CNR Financial has adopted a comprehensive management system for loan approvals. The process of its loan business includes five major parts: (i) acceptance and investigation; (ii) risk assessment and approval; (iii) loan granting and payment; (iv) post-loan management; and (v) loan collection. The corporate department is responsible for loan acceptance and investigation. The accounts department is responsible for loan granting and payment. The operation department is responsible for post-loan management and loan collection. The risk department and the loan approval committee are responsible for risk assessment and approval.

The Directors are of the view that the above risk control policies are adequate to ensure sufficiency of the net capital for the running of its business.

Price Determination

The Financial Services Agreement (CNRG) provides that the services must be provided in accordance with the following general pricing principles:

- (1) the interest rate for deposit services must make reference to the benchmark interest rates on deposit issued by the PBOC (from time to time), and must be no more than the interest rate payable by CNR Financial to any Independent Third Party, for the deposit service of the same term and amount;

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- (2) the interest rate for credit services must make reference to the benchmark interest rates issued by the PBOC (from time to time) for credit service of the same term and amount;
- (3) the service fee for the clearing and settlement services must be no more than the service fee chargeable by CNR Financial to any Independent Third Party, for similar financial services; and
- (4) the service fee for other related services provided by CNR Financial shall be determined in compliance with the relevant charging standards as required by the PBOC and the CBRC (from time to time) and with reference to the fees charged by other financial institutions for such businesses in China.

Term and Termination

The initial term of the Financial Services Agreement (CNRG) will expire at the 2013 annual general meeting of our Company, unless both parties agree to terminate earlier in writing. CNR Financial and CNRG propose to renew the Financial Services Agreement (CNRG) on similar terms for a term until the 2014 annual general meeting of our Company. The renewed Financial Services Agreement (CNRG) is subject to the Shareholders' approval.

Proposed Annual Caps

The proposed annual caps are determined having considered: (i) CNRG Group's business scale and business expansion; (ii) CNRG Group's overall cash balance; and (iii) the expected interest/fees receivable/payable to CNR Financial compared with the interest/fees that could otherwise be obtained from/paid to other independent commercial banks. To diversify our risks, the maximum daily outstanding balance of loans was determined taking into account: (i) the restriction imposed by CBRC; and (ii) the business scale and capability of CNR Financial. The fees and charges were computed according to the industry rate chargeable by other PRC financial institutions based on the expected transaction levels.

Pursuant to the Financial Services Agreement (CNRG), the terms such as the interest rate must make reference to the benchmark interest rates on the relevant service issued by the PBOC. As the terms of the Financial Services Agreement (CNRG) are of market terms and CNR Financial is regulated by the CBRC, we consider that the terms of the Financial Services Agreement (CNRG) are on normal commercial terms, fair and reasonable, and in the interests of our Group and our Shareholders as a whole. As the transactions with CNRG Group are of normal commercial terms, we are of the view that the loan provided by CNR Financial to CNRG Group would not constitute financial assistance provided by us to our Controlling Shareholder.

Reasons for the increase in the Proposed Annual Caps

The increase in the proposed annual caps results from the normal growth of the scale of business of CNR Financial. Collection of payments following the performance of contracts and orders, and the receipt of funds raised by project implementation will lead to the increase of outstanding balance of deposits.

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IMPLEMENTATION AGREEMENTS

It is envisaged that from time to time and as required, individual implementation agreements may be entered into between our Company, CNRG, Mr. Yu or their respective associates, as appropriate.

Each implementation agreement will set out the specific services requested by the relevant party and other specifications which may be relevant to those services. The implementation agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions as contained in the relevant agreements.

As the implementation agreements are simply further elaborations on the provision of products and services as contemplated by each of the aforesaid agreements, they do not constitute new categories of connected transactions under the Hong Kong Listing Rules.

APPLICATION FOR A WAIVER

Using the proposed annual caps above as the numerators for the purpose of calculating the percentage ratios, we expect the relevant percentage ratios for the purpose of Chapter 14A of the Hong Kong Listing Rules in respect of the Accessories Sales Agreement, the Mutual Supply Agreement and the Financial Services Agreement (CNRG) will be less than 5%, and the transactions contemplated under these agreements will therefore be subject to the reporting and announcement requirements but not the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules by virtue of Rule 14A.34(1).

As the above non-exempt continuing connected transactions are expected to continue on a recurring basis, our Directors consider that strict compliance with the announcement requirements would be impractical and would result in unnecessary administrative costs to our Company following the Listing. Accordingly, our Company has requested the Hong Kong Stock Exchange to grant, and the Hong Kong Stock Exchange has granted, a waiver to our Company from strict compliance with the announcement requirements set out in Rule 14A.47 of the Hong Kong Listing Rules. The waiver granted by the Hong Kong Stock Exchange for the non-exempt continuing connected transactions under the Financial Services Agreement (CNRG) will expire at the 2014 annual general meeting of our Company, and for the non-exempt continuing connected transactions (other than those under the Financial Services Agreement (CNRG)) will expire on 31 December 2016. Our Company will comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules, including the proposed annual caps set out in the above table.

CONFIRMATION FROM THE DIRECTORS

Our Directors view that the Entrusted Loans and the deposits from CNRG do not affect our Company's financial independence from CNRG, on the basis that: (i) our Company has a strong financial position and has strong financing capabilities and its business operations are in relatively matured and developed stage; (ii) our Company has a record to raise funds on a stand-alone basis without any credit support from CNRG; and (iii) as at 31 March 2014, our Company has approximately RMB79,089.0 million unutilized and unrestricted banking facilities from a number of independent financial institutions. The total entrusted loans and deposits from CNRG constitute only an insignificant percentage to the total borrowings and bonds of our Company.

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Our Directors (including our independent non-executive Directors) are of the view that: (i) the non-exempt continuing connected transactions as described above have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms, are fair and reasonable, and in the interests of our Company and the Shareholders as a whole; (ii) the proposed annual caps in respect of such transactions are fair and reasonable, so far as our Company is concerned, and are in the interests of our Company and the Shareholders as a whole and (iii) apart from the announcement requirements of which a waiver is sought, our Company will comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that: (i) the non-exempt continuing connected transactions for which a waiver is sought are entered into in the ordinary and usual course of business of our Group, on normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole; (ii) the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable, and in the interests of our Company and the Shareholders as a whole and (iii) apart from the announcement requirements of which a waiver is sought, our Company will comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules.