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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Automation Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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中國自動化集團有限公司

China Automation Group Limited

(HK stock code 0569)

(Incorporated in the Cayman Islands with limited liability)

**PROPOSALS FOR GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES,
RE-ELECTION OF RETIRING DIRECTORS
AND
ADOPTION OF THE NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

The notice convening the annual general meeting of China Automation Group Limited (the “**Company**”) to be held at Boardroom 3-4, M/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 29th May, 2018 at 3:00 p.m. is set out on pages 26 to 29 of this circular. Shareholders are advised to read the notice and to complete and return the accompanying form of proxy for use at the annual general meeting in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude the shareholders from attending and voting at the meeting if they so wish.

Hong Kong, 25th April, 2018

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE CHAIRMAN	4
APPENDIX I – EXPLANATORY STATEMENT	9
APPENDIX II – DETAILS OF RETIRING DIRECTORS PROPOSED FOR RE-ELECTION	12
APPENDIX III – SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME	15
NOTICE OF ANNUAL GENERAL MEETING	26

DEFINITIONS

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

“2007 Share Option Scheme”	the share option scheme adopted by the Company on 16 June 2007 and expired on 15 June 2017
“Adoption Date”	the date on which the New Share Option Scheme is conditionally adopted by the Shareholders at the AGM
“AGM”	the annual general meeting of the Company to be held at Boardroom 3-4, M/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 29th May, 2018 at 3:00 p.m., notice of which is set out on pages 26 to 29 of this circular
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities
“Companies Law”	the Companies Law of the Cayman Islands for the time being in force
“Company”	China Automation Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the New Share Option Scheme or (where the context so permits) the legal personal representative(s) entitled under the New Share Option Scheme to exercise any such Option in consequence of the death of the original Grantee
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of the Hong Kong
“Invested Entity”	means any entity in which the Group holds an equity interest
“Latest Practicable Date”	19th April, 2018, being the latest practicable date prior to the printing of this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the new share option scheme of the Company proposed to be adopted at the AGM, a summary of the principal terms of which is set out in Appendix III to this circular
“Offer”	means the offer of the grant of an Option made by the Board in accordance with the terms of the New Share Option Scheme
“Offer Date”	means the date on which an Offer is made to the Participant, as determined in accordance with the terms of the New Share Option Scheme
“Option(s)”	means option(s) to subscribe for Shares pursuant to the New Share Option Scheme
“Option Period”	means a period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not exceed 10 years from the Offer Date, but subject to the provisions for early termination thereof under the New Share Option Scheme; the Board may also provide restrictions on the exercise of such Option during the period an Option may be exercised
“Participant”	means (i) any executive or non-executive Directors including independent non-executive Directors or any employees (whether full-time or part-time) of each member of the Group or any Invested Entity; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group or any Invested Entity; (iii) any consultants, professional and other advisers to each member of the Group or any Invested Entity (or persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives or substantial shareholders of the Company; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees (whether full-time or part-time) of substantial shareholder of the Company, provided that the Board may have absolute discretion to determine whether or not one falls within the above categories
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular

DEFINITIONS

“Repurchase Proposal”	the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase during the period as set out in the Repurchase Resolution Shares up to a maximum of 10% of the total number of issued Shares at the date of the Repurchase Resolution
“Repurchase Resolution”	the proposed ordinary resolution as referred to in resolution no.4 of the notice of the AGM
“Scheme Period”	a period commencing on the Adoption Date and ending on the date immediately preceding the date falling on the tenth anniversary of the Adoption Date (both dates inclusive)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to the terms of the New Share Option Scheme, subject to adjustments in accordance with the terms of the New Share Option Scheme
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers
“RMB”	Renminbi, the lawful currency of PRC
“%”	per cent

LETTER FROM THE CHAIRMAN



中國自動化集團有限公司

China Automation Group Limited

(HK stock code 0569)

(Incorporated in the Cayman Islands with limited liability)

Directors:

Executive Directors:

Mr. Xuan Rui Guo (*Chairman*)

Mr. Wang Chuensheng

Independent Non-Executive Directors:

Mr. Wang Tai Wen

Mr. Ng Wing Fai

Mr. Zhang Xin Zhi

Company Secretary:

Mr. Chow Chiu Chi

Registered Office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business

in Hong Kong:

Suite 3205B-3206, 32nd Floor,
Office Tower, Convention Plaza,

No. 1 Harbour Road,

Wanchai, Hong Kong.

Hong Kong, 25th April, 2018

To the Shareholders,

Dear Sir or Madam,

**PROPOSALS FOR GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES,
RE-ELECTION OF RETIRING DIRECTORS
AND
ADOPTION OF THE NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM of the Company held on 29th May, 2017, a general mandate was given to the Directors to exercise the powers of the Company to repurchase Shares of the Company. Such mandate will lapse at the conclusion of the forthcoming AGM. It is therefore proposed to seek your approval of an ordinary resolution to be proposed at the forthcoming AGM to give a fresh general mandate to the Directors to exercise the powers of the Company to repurchase Shares not exceeding 10% of the total number of issued Shares at the date of the resolution (i.e. not exceeding 102,626,372 Shares based on 1,026,263,729 Shares as at the Latest Practicable Date and assuming that such total number of issued Shares remains the same at the date of passing the resolution).

LETTER FROM THE CHAIRMAN

An explanatory statement as required under the Share Repurchase Rules to provide the requisite information of the Repurchase Proposal is set out in Appendix I hereto.

GENERAL MANDATE TO ISSUE SHARES

It will be proposed at the AGM two ordinary resolutions respectively granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the total number of issued Shares at the date of the resolution (i.e. not exceeding 205,252,745 Shares based on 1,026,263,729 issued Shares as at the Latest Practicable Date and assuming that such total number of issued Shares remains the same at the date of passing the resolution) and adding to such general mandate so granted to the Directors any Shares representing the number of the Shares repurchased by the Company after the granting of the general mandate to repurchase Shares pursuant to the Repurchase Resolution.

RE-ELECTION OF RETIRING DIRECTORS

As at the Latest Practicable Date, the executive Directors were Mr. Xuan Rui Guo and Mr. Wang Chuensheng and the independent non-executive Directors were Mr. Wang Tai Wen, Mr. Ng Wing Fai and Mr. Zhang Xin Zhi.

Pursuant to article 87 of the articles of association of the Company, Mr. Xuan Rui Guo and Mr. Wang Tai Wen shall retire from office by rotation at the AGM and shall be eligible for re-election.

Up to the date of this circular, Mr. Wang Tai Wen has served as an independent non-executive Director for more than nine years since 2008. Pursuant to code provision A.4.3 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, (a) such service to the Company for more than nine years could be relevant to the determination of an independent non-executive Director's independence and (b) if an independent non-executive Director has served more than nine years, his further appointment should be subject to a separate resolution to be approved by Shareholders.

The Company has received from Mr. Wang Tai Wen a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Mr. Wang has not engaged in any executive management of the Group. Taking into consideration of his independent scope of work during his term of service, the Directors consider that Mr. Wang remains independent under the Listing Rules notwithstanding the length of his service. Accordingly, Mr. Wang shall be subject to retirement by rotation and re-election by way of a separate resolution to be approved by the Shareholders at the AGM.

Details of the retiring Directors proposed to be re-elected at the AGM are set out in Appendix II hereto.

ADOPTION OF NEW SHARE OPTION SCHEME

The 2007 Share Option Scheme was adopted on 16 June 2007 and was expired on 15 June 2017. In the view of the expiry of the 2007 Share Option Scheme, the Board proposes to adopt the New Share Option Scheme. The New Share Option Scheme will become effective after all the conditions precedent as referred to under the paragraph headed "Conditions precedent of the New Share Option Scheme" below have been fulfilled.

LETTER FROM THE CHAIRMAN

As at the Latest Practicable Date, there were a total of 1,026,263,729 Shares in issue. Assuming that there is no change in the issued share capital of the Company between the period from the Latest Practicable Date up to the Adoption Date, the maximum number of Shares which may be issued pursuant to the New Share Option Scheme and any other schemes (if any) will be 102,626,372 Shares, representing 10% of the total number of Shares in issue as at the Adoption Date, unless the Company obtains a fresh approval from its Shareholders to renew the 10% limit on the basis that the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

Principal terms of the New Share Option Scheme

A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular. The terms of the New Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

There is no trustee appointed for the purpose of the New Share Option Scheme.

Value of the Options

The Directors consider that it is not appropriate to disclose the value of all Options that can be granted under the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the value of all Options have not been determined. Such variables include but are not limited to the exercise price, exercise period and any performance targets to be set. The Directors believe that any calculation of the value of all Options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

Conditions precedent of the New Share Option Scheme

The New Share Option Scheme is conditional upon:

- (a) the passing of an ordinary resolution approving the adoption of the New Share Option Scheme by the Shareholders and authorising the Directors or persons authorised by it to grant Options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any Options granted under the New Share Option Scheme; and
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any new Shares to be issued pursuant to the exercise of Options granted under the New Share Option Scheme.

An application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, any new Shares which may fall to be issued and allotted pursuant to the exercise of the Options granted under the New Share Option Scheme.

LETTER FROM THE CHAIRMAN

Once the New Share Option Scheme is adopted, any alterations to the terms and conditions thereof, which are of a material nature, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the ordinary resolution to be proposed at the AGM approving the adoption of the New Share Option Scheme.

ANNUAL GENERAL MEETING

Set out on pages 26 to 29 of this circular is the notice convening the AGM.

For determining the entitlement of Shareholders to attend and vote at the AGM, the register of members will be closed from Wednesday, 23rd May, 2018 to Tuesday, 29th May, 2018, both days inclusive. In order to be eligible to attend and vote at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 21st May, 2018.

At the AGM, resolutions will be proposed to the Shareholders in respect of ordinary business to be considered at the AGM, including re-election of Directors, Repurchase Proposal and the general mandate for Directors to issue new Shares and special business to be considered at the AGM, being the ordinary resolutions proposed to approve the extension of the general mandate to issue new Shares and the adoption of New Share Option Scheme.

ACTION TO BE TAKEN

A form of proxy for use at the AGM is enclosed herewith. Whether or not you intend to attend the AGM, you are requested to complete the form of proxy and return it to the Company's principal place of business in Hong Kong at Suite 3205B-3206, 32nd Floor, Office Tower, Convention Plaza, No.1 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of a form of proxy will not prevent you from attending and voting in person at the AGM if you so wish.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at the 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 meeting will therefore demand a poll for every resolution put to the vote at the AGM pursuant to article 66 of the articles of association of the Company and the Company will announce results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE CHAIRMAN

DOCUMENT AVAILABLE FOR INSPECTION

A copy of the rules of the New Share Option Scheme is available for inspection at the principal place of business of the Company in Hong Kong at Suite 3205B-3206, 32nd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including the date of the AGM, which is a period of not less than 14 days before the date of the AGM.

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.

RECOMMENDATION

The Directors believe that the adoption of New Share Option Scheme, Repurchase Proposal, proposed general mandate for Directors to issue new Shares, proposed extension of the general mandate to issue new Shares and proposed re-election of retiring Directors are all in the best interest of the Company and its Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of all resolutions to be proposed at the AGM.

Yours faithfully,
China Automation Group Limited
Xuan Rui Guo
Chairman

This appendix serves as an explanatory statement, as required by the Share Repurchase Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10% of the total number of issued Shares as at the date of the Repurchase Resolution.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,026,263,729 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no further Shares will be issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Proposal to repurchase a maximum of 102,626,372 Shares representing not more than 10% of the total number of issued Shares as at the Latest Practicable Date.

2. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Proposal is in the best interests of the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset and/or earnings per Share of the Company and will only be made when the Directors believe that such a repurchase will benefit the Company and its Shareholders.

3. FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the Companies Law. The Companies Law provides that the amount to be repaid in connection with a share repurchase may be paid from the profits of the Company and/or the proceeds of a new issue of Shares made for the purpose of the repurchase or out of capital, if the Company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited financial statements contained in the annual report for the year ended 31st December, 2017 in the event that the Repurchase Proposal was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

The table below is a summary of the monthly highest and lowest prices in each of the previous twelve months before the Latest Practicable Date:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
April 2017	1.39	1.24
May 2017	1.36	1.22
June 2017	1.31	1.10
July 2017	1.20	1.10
August 2017	1.20	1.06
September 2017	1.17	1.05
October 2017	1.08	0.94
November 2017	1.04	0.94
December 2017	1.08	0.91
January 2018	1.07	0.96
February 2018	1.04	0.91
March 2018	1.02	0.94
April 2018 (from 1st April, 2018 up to the Latest Practicable Date)	1.02	0.92

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Resolution and in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their close associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Proposal if such is approved by the Shareholders.

No core connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Proposal is approved by the Shareholders.

6. TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Proposal, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a shareholder or group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, Mr. Xuan Rui Guo and his associates were interested in 516,696,164 Shares (representing approximately 50.35% of the total issued share capital of the Company as at the Latest Practicable Date). In the event that the Directors exercise in full the power to repurchase Shares under the Repurchase Proposal, then (if the present shareholdings remains the same) the attributable interests of Mr. Xuan and his associates would be increased to approximately 55.94% of the issued share capital of the Company. The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of an exercise of the Repurchase Proposal. The Directors have no present intention to exercise the power to repurchase Shares pursuant to the Repurchase Proposal to such extent as would result in such takeover obligation.

The Directors have no immediate intention to repurchase Shares which would result in the number of Shares held by the public being reduced to less than 25%.

7. SHARE REPURCHASES MADE BY THE COMPANY

The Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

The details of the retiring Directors proposed to be re-elected at the AGM are set out as follows:–

Mr. Xuan Rui Guo (“Mr. Xuan”)

Mr. Xuan (宣瑞國), aged 49, the Group’s founder, Executive Director, Chairman and chief executive officer of the Company, is mainly responsible for the overall strategic, financial planning and long-term development. Mr. Xuan is also one of the winners of Ernst & Young Entrepreneur of The Year 2009 China. He is an incumbent director of Yabuli Entrepreneur Association and Deputy Chairman of China Instrument and Control Society. Mr. Xuan is also a director and deputy chairman of Guangdong Huatie Tongda High-speed Railway Equipment Corporation (廣東華鐵通達高鐵裝備股份有限公司), which is listed on the Shenzhen Stock Exchange (Stock Code: 000976). Mr. Xuan graduated from Renmin University of China (中國人民大學) with a bachelor’s degree in international politics. He has extensive experience in management, administration and business development in different industries including industrial automation, biotechnology, telecommunication and trading in the PRC. He previously served as General Manager of Boda Telecommunication and Electronics Company Limited. In Yunnan, China, Manager of Beijing Invention Biology Company Limited (北京瑞寧生物技術開發有限責任公司) and General Manager of Beijing Consen Automation Control Company Limited (北京康吉森自動化設備技術有限責任公司) (“**Beijing Consen**”), etc.

Mr. Xuan is also a member of nomination committee and remuneration committee of the Company.

Save as disclosed above, as at the Latest Practicable Date, Mr. Xuan had not held any directorship in any listed public companies in the last three years nor held any position in any members of the Group.

As at the Latest Practicable Date, Mr. Xuan had personal and corporate interests in total of 516,696,164 Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Xuan does not have any relationship with any other Directors, senior management of the Company or substantial or controlling Shareholders.

Mr. Xuan has entered into a service agreement with the Company in relation to his appointment as an executive Director for a term of three years commencing from 12 July 2016 to 11 July 2019. His term of service is subject to retirement by rotation and re-election at general meeting of the Company according to the articles of association of the Company. Mr. Xuan is entitled to terminate the directorship by giving to the Company not less than three months’ notice in writing.

According to the service agreement, Mr. Xuan is entitled to an annual salary of RMB2,200,000. In addition, Mr. Xuan is entitled to a management bonus by reference to the audited consolidated net profits of the Group after taxation and minority interests but before extraordinary items (the “**Net Profits**”) as the Board may, in its absolute discretion, approve provided that the aggregate amount of the management bonuses payable to Mr. Xuan in respect of any financial year of the Group shall not exceed 5% of the Net Profits for the relevant financial year. His emolument is determined based on his senior position in the Company, his level of responsibilities and the remuneration policy of the Group. Mr. Xuan is entitled to a total emolument of RMB2,315,000 for the year ended 31st December, 2017.

Save as disclosed herein, Mr. Xuan is not aware of any other matters that need to be brought to the attention of the Shareholders in connection with his re-election as a Director. There is no information that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Wang Tai Wen (“Mr. Wang”)

Mr. Wang (王泰文), aged 71, is an Independent Non-executive Director since January 2008 while serving as external director of China National Foreign Trade Transportation (Group) Corporation. Mr. Wang is also an independent director of Guangdong Huatie Tongda High-speed Railway Equipment Corporation (廣東華鐵通達高鐵裝備股份有限公司), which is listed on the Shenzhen Stock Exchange (Stock Code: 000976). He had also held various managerial positions in Ziyang Internal Combustion Locomotive Plant; served as chairman, general manager and secretary to Communist Party Committee of China National Railway Locomotive Corporation; and as chairman and secretary to Communist Party Committee of China Southern Locomotive Industrial Group Corporation (中國南方機車車輛工業集團). In November 2006, Mr. Wang joined China Railway Engineering Group Company Limited (中國鐵路工程總公司) as external director. According to “Notice on Board of Directors of Wholly State-Owned Companies” issued by State-Owned Assets Supervision and Administration Commission of the State Council, as external director of China Railway Engineering Group Company Limited, Mr. Wang’s main responsibilities are to attend meetings of its board of directors and to make decision in his capacity as a director. He did not participate in any daily operation at both China Railway Engineering Group Company Limited, and companies under the group. He graduated from Dalian Railway Institute (中國大連鐵道學院), China, majoring in machinery and manufacturing.

Mr. Wang is also the chairman of remuneration committee and member of audit committee and nomination committee of the Company.

Save as above, as at the Latest Practicable Date, Mr. Wang had not held any directorship in any listed public companies in the last three years nor held any position in any members of the Group. He does not have any relationship with any Directors, senior management of the Company or substantial or controlling Shareholders.

As at the Latest Practicable Date, Mr. Wang did not interest in any Shares within the meaning of Part XV of the SFO.

Mr. Wang has entered into a service agreement with the Company in relation to his appointment as an independent non-executive Director for a term of two years commencing from 30th January, 2018. The appointment is subject to retirement by rotation and re-election at general meeting of the Company according to the articles of association of the Company. Mr. Wang is entitled to terminate the directorship by giving to the Company not less than three month’s notice in writing.

Mr. Wang will be entitled to a director’s fee of HK\$180,000 per annum, which is reviewed by the remuneration committee of the Company and determined by the board of Directors (with Shareholders’ authorization) with reference to a number of factors, including among others, the performance, seniority and contribution to the Company.

Save as disclosed above, Mr. Wang is not aware of any other matters that need to be brought to the attention of the Shareholders in connection with his re-election as a Director. There is no information that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

The following is a summary of the principal terms of the New Share Option Scheme to be approved at the AGM. It does not form part of, nor is it intended to be part of the rules of the New Share Option Scheme and it should not be taken as affecting the interpretation of the rules of the New Share Option Scheme. The Directors reserve the right at any time prior to the AGM to make such amendments to the New Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict with any material aspects with the summary of this appendix.

1. PURPOSE OF THE NEW SHARE OPTION SCHEME

The purpose of the New Share Option Scheme is for the Company to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.

2. ELIGIBILITY OF THE PARTICIPANTS OF THE NEW SHARE OPTION SCHEME

The following persons are eligible to participate in the New Share Option Scheme:

- (i) any executive or non-executive Directors including independent non-executive Directors or any employees (whether full-time or part-time) of each member of the Group or any Invested Entity;
- (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group or any Invested Entity;
- (iii) any consultants, professional and other advisers to each member of the Group or any Invested Entity (or persons, firms or companies proposed to be appointed for providing such services);
- (iv) any chief executives or substantial shareholders of the Company;
- (v) any associates of director, chief executive or substantial Shareholder of the Company; and
- (vi) any employees (whether full-time or part-time) of substantial Shareholder of the Company,

provided that the Board may have absolute discretion to determine whether or not one falls within the above categories.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate from time to time on the basis of his/her/its contribution or potential contribution to the development and growth of the Group.

3. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- a) The total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption

Date (the “**Original Scheme Limit**”), unless the Company obtains an approval from its Shareholders pursuant to sub-paragraphs 3(b) or 3(c) below. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Original Scheme Limit.

- b) The Company may seek approval of its Shareholders in general meeting for refreshing the Original Scheme Limit under the New Share Option Scheme such that the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company (or its Subsidiary) under the limit as refreshed shall not exceed 10% of the relevant class of securities in issue as at the date of approval to refresh such limit. Options previously granted under the New Share Option Scheme and any other share option schemes of the Company (or its Subsidiary) (including those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, the Company shall send a circular to its Shareholders containing the information required under the Listing Rules.
- c) The Company may seek separate approval of its Shareholders in general meeting for granting Options beyond the 10% limit provided that the Options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. In such a case, the Company shall send a circular to its Shareholders containing, amongst other terms, a generic description of the specified Participant(s) who may be granted such Options, the number of Shares subject to the Options to be granted, the terms of the Options to be granted, the purpose of granting Options to the specified Participant(s), an explanation as to how the terms of these Options serve such purpose and such other information and disclaimer as required under the Listing Rules.
- d) Notwithstanding any provision in sub-paragraphs 3(a), (b) or (c) and subject to paragraph 14, the limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company or its Subsidiary must not exceed 30% of the relevant class of securities of the Company (or its subsidiary) in issue from time to time or such higher percentage as may be allowed under the Listing Rules. No Options may be granted under the New Share Option Scheme and any other share option schemes of the Company (or its Subsidiary) if this will result in such limit being exceeded.
- e) If the Company (or its Subsidiary) conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of securities that may be issued upon exercise of all options to be granted under all share option schemes of the Company (or its Subsidiary) under the 10% limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.

4. MAXIMUM ENTITLEMENT OF SHARES OF EACH PARTICIPANT

Unless approved by Shareholders in the manner as set out in this paragraph, Subject to this paragraph, the total number of securities issued and to be issued upon exercise of the options granted to each Participant under the New Share Option Scheme and any other schemes of the Company (or its subsidiary) (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of relevant class of securities of the Company (or its Subsidiary) in issue. Notwithstanding this paragraph 4, where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Participant under the New Share Option Scheme and any other share option schemes of the Company (or its subsidiary) (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities of the Company (or its subsidiary) in issue, such further grant must be separately approved by the Shareholders of the Company in general meeting with such Participant and his close associates (as defined under the Listing Rules) (or his/her associates if the Participant is a connected person (as defined under the Listing Rules)) abstaining from voting. The number and terms (including the Subscription Price) of the Options to be granted to such Participant shall be fixed before Shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price. In such a case, the Company shall send a circular to its Shareholders containing, amongst other terms, the identity of such Participant, the number and the terms of the Options to be granted (and options previously granted to such Participant) and such other information as required under the Listing Rules.

5. OPTION PERIOD

- (a) A period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not exceed 10 years from the date upon which any particular Option is granted in accordance with the New Share Option Scheme, but subject to the provisions for early termination thereof contained herein; the Board may also provide restrictions on the exercise of such Option during the period an Option may be exercised.
- (b) In the event of the Grantee ceases to be a Participant for any reason other than on the Grantee's death or the termination of the Grantee's employment, directorship, office or appointment or engagement on one or more of the grounds specified in sub-paragraph 13(f), the Option granted to the Grantee shall lapse on the date of cessation (to the extent which has not already been exercised) and will not be exercisable unless the Board otherwise determines to grant an extension at the discretion of the Board in which event the Grantee may exercise the Option in accordance with other terms of the New Share Option Scheme within such period of extension and up to a maximum entitlement directed at the discretion of the Board on the date of grant of extension (to the extent that it has not already been exercised and subject to other terms and conditions decided at the discretion of the Board). For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of 3 months following the date of such cessation, which date shall be the Grantee's last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of employment or office or appointment or engagement as

director of, as consultant, professional or other advisers to the relevant company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the board of directors or governing body of the relevant company shall be conclusive.

- (c) In the event the Grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the Grantee's employment, directorship, office or appointment or engagement under sub-paragraph 13(f) arises, the personal representative(s) of the Grantee shall be entitled within a period of 6 months or such longer period as the Board may determine from the date of death, to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent which has become exercisable and not already exercised) or, if appropriate, make an election pursuant to sub-paragraphs 5(d), (e) or (f).
- (d) If a general offer by way of take-over or otherwise (other than by way of scheme of arrangement pursuant to sub-paragraph 5(e)) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant Option Period, the Grantee (or his personal representative(s)) may by notice in writing to the Company within 21 days after the date on which the general offer becomes or is declared unconditional exercise the Option (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) to its full extent or to the extent specified in such notice. All Options shall, to the extent that they have not been exercised within the said 21-day period, lapse and determine.
- (e) If a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse), by notice in writing to the Company, exercise the Option (to the extent which has become exercisable and not already been exercised) to its full extent or to the extent specified in such notice.
- (f) If a compromise or arrangement between the Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies (other than a general offer by way of scheme of arrangement contemplated in sub-paragraph 5(e)), the Company shall give notice thereof to the Grantee on the same date as it despatches the notice which is sent to each shareholder or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the expiry of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his Options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the New Share Option Scheme. The Company may

require the Grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

- (g) In the event a notice is given by the Company to its Shareholders to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene the general meeting, give notice thereof to all Grantees. Each Grantee (or his legal personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to the Company (such notice to be received by the Company not later than 2 Business Days prior to the proposed general meeting) exercise the Option (to the extent which has become exercisable and not already exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. If such resolution is duly passed, all Options shall, to the extent that they have not been exercised, lapse automatically on the date of the commencement of the winding-up of the Company.

6. OFFER OF THE GRANT OF OPTIONS

- (a) On and subject to the requirements of the Listing Rules and the terms of the New Share Option Scheme, the Board shall be entitled at any time and from time to time during the Scheme Period (provided that no Options shall be granted after the New Share Option Scheme has been terminated (if applicable), to make an Offer to any Participant as the Board may in its absolute discretion select, and subject to any such conditions as the Board may at its absolute discretion think fit, to subscribe for such number of Shares as the Board may (subject to paragraphs 3 and 4) determine at the Subscription Price.
- (b) Any grant of Options to a Participant who is a Director, chief executive or substantial Shareholder of the Company or their respective associates must be approved by the independent non-executive Directors of the Company (excluding independent non-executive Director who is the proposed Grantee of such Option).
- (c) Where the Board proposes to grant any Option to a Participant who is a substantial Shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted under the New Share Option Scheme and any other share option schemes of the Company (or its Subsidiary) (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate more than 0.1% of the relevant class of securities in issue; and
- (ii) (where the securities are listed on the Stock Exchange) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such proposed grant of Options must be approved by the Shareholders in general meeting. In such a case, the Company shall send a circular to its Shareholders containing all those terms as required under the Listing Rules. Such Grantee, his associates and all core connected persons (as defined under the Listing Rules) of the Company must abstain from voting in favour at such general meeting. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

7. PERFORMANCE TARGET AND OTHER CONDITIONS

Unless otherwise determined by the Board (which decision may vary on a case by case basis) and specified in the Offer Letter at the time of the offer, there is neither any performance target that need to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. If so determined by the Board, an Option shall be subject to such minimum period to be held before it can be exercised as the Board may consider appropriate.

8. PAYMENT OF ACCEPTANCE OF AN OPTION

An Offer shall be deemed to have been accepted by the Grantee when the duplicate of the Offer Letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the granting thereof is received by the Company within the acceptance period and the Option to which the offer relates shall be deemed to have been granted on the Offer Date. Such remittance shall in no circumstances be refundable.

9. EXERCISE OF OPTION

An Option may be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) in the manner as set out in the Offer Letter, this paragraph and paragraph 5 by the Grantee (or his personal representative(s)) giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the total Subscription Price for the Shares in respect of which the notice is given. Subject to the provisions in the New Share Option Scheme relating to the authorised share capital of the Company, within 28 days after receipt of the notice and the remittance and where appropriate, receipt of the certificate from the independent financial adviser or the auditors of the Company pursuant to the provisions in the New Share Option Scheme relating to the authorised share capital of the Company, the Company shall allot, and shall instruct the share registrar of the Company to issue, the relevant Shares to the Grantee (or his personal representative(s)) credited as fully paid and issue to the Grantee (or his personal representative(s)) a share certificate in respect of the Shares so allotted.

10. SUBSCRIPTION PRICE

Subject to any adjustments made pursuant to paragraph 14, the Subscription Price in respect of each Share issued pursuant to the exercise of Options granted under the New Share Option Scheme shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

- (a) the closing price of a Share as stated in the Stock Exchange's daily quotation sheet on the Offer Date, which must be a Business Day;
- (b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 Business Days immediately preceding the Offer Date; and
- (c) the nominal value of a Share.

11. RIGHTS ATTACHING TO THE NEW SHARES

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to vote and participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue, provided always that when the date or exercise of the Option falls on a date upon which the register of shareholders of the Company is closed then the exercise of the Option shall become effective on the first Business Day on which the register of shareholders of the Company is re-opened.

12. DURATION OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme shall be valid and effective for a period commencing on the Adoption Date and ending on the date immediately preceding the date falling on the tenth anniversary of the Adoption Date (both days inclusive), after which period no further Options will be granted but in all other respects, subject to the compliance with the provisions under the Listing Rules, the provisions of the New Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of this Scheme, and Options which are granted during the Scheme Period may continue to be exercisable in accordance with their terms of granted.

13. LAPSE OF OPTION

An Option shall lapse automatically and not be exercisable (to the extent not already been exercised) on the earliest of:

- (a) the expiry of the Option Period;

- (b) the date on which the Grantee ceases to be a Participant as referred to in sub-paragraph 5(b) (in the case where the Board has not determined an extension of time in which the Option may be exercised) or the expiry of the extended period of time in which the Option may be exercised as determined by the Board as referred to in sub-paragraph 5(b);
- (c) the expiry of the periods referred to in sub-paragraphs 5(c) or (d), where applicable;
- (d) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph 5(e);
- (e) subject to the compromise or arrangement referred to in sub-paragraph 5(f) becoming effective, the expiry of the period referred to in sub-paragraph 5(f);
- (f) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment, directorship, office or appointment or engagement on the grounds that he has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has become insolvent or bankrupt, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, in the event of which a resolution of the board of directors or governing body of the relevant company or substantial shareholder of the Company (as the case may be) to the effect that the employment, directorship, office or appointment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 13(f) shall be conclusive and binding on the Grantee;
- (g) subject to sub-paragraph 5(g), the date of the commencement of the winding-up of the Company;
- (h) the date on which the Board exercises the Company's right to cancel the Option at any time after the Grantee commits a breach of paragraph 16; or
- (i) the date on which the Option is cancelled by the Board as provided in paragraph 18.

14. ADJUSTMENTS RELATING TO REORGANISATION OF CAPITAL STRUCTURE

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation issue, rights issue, subdivision, consolidation, or reduction of the share capital of the Company or otherwise howsoever in accordance with applicable legal requirements and requirements of the Stock Exchange excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party, such corresponding adjustments (if any) shall be made to:

- (i) the number of Shares subject to the Option so far as unexercised; and/or
- (ii) the Subscription Price,

as (other than any alterations made on a capitalisation issue) an independent financial adviser appointed by the Company or the auditors of the Company shall at the request of the Board certify in writing to the Directors of the Company, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and that any such adjustments shall satisfy the requirements set out in the note to rule 17.03(13) of the Listing Rules (having regard to the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all listed issuers relating to share option schemes and/or any future guidance/interpretation of Chapter 17 of the Listing Rules issued by the Stock Exchange from time to time) and shall give a Grantee the same proportion of the issued share capital of the Company as that to which the Grantee was previously entitled, provided that no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value (if any). The issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. The capacity of the independent financial adviser or the auditors of the Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the independent financial adviser or the auditors shall be borne by the Company.

15. TERMINATION OF THE NEW SHARE OPTION SCHEME

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme, and all Options granted and accepted prior to such termination but not then exercised shall continue to be valid and exercisable subject to and in accordance with its Scheme and their terms of grant. Upon such termination, details of the Options granted (including options exercised or outstanding) under the New Share Option Scheme and (if applicable) Options that became void or non-exercisable as a result of termination are required under the Listing Rules to be disclosed in the circular to shareholders seeking approval of the first new scheme established thereafter.

16. TRANSFERABILITY OF OPTIONS

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests (legal or beneficial) in favour of any third party over or in relation to any Option or attempt to do so. Where the Grantee is a company, any change of its controlling shareholder or any substantial change in its management (which is to be determined by the Board at its absolute discretion) will be deemed to be a sale or transfer of interest as aforesaid. Where the Grantee is a trust, any change of the beneficiary of the Grantee will be deemed to be a sale or transfer of interest as aforesaid. Where the Grantee is a discretionary trust, any change of the discretionary objects of the Grantee will be deemed to be a sale or transfer of interest as aforesaid. Any breach of the foregoing of a Grantee shall entitle the Company to cancel all outstanding Option or part thereof of such Grantee (to the extent that it has not already been exercised) without incurring any liability on the part of the Company.

17. ALTERATION OF THE NEW SHARE OPTION SCHEME

- (a) The provisions of the New Share Option Scheme may be altered in any respect by resolution of the Board at its absolute discretion except that the provisions of the New Share Option Scheme as to:
 - (i) the definitions of “Grantee”, “Option Period” and “Participant” provided in the New Share Option Scheme;
 - (ii) the provisions of paragraphs and sub-paragraphs 3, 4, 5, 6(a), 10, 12, 19 of the New Share Option Scheme; and
 - (iii) all such other matters set out in Rule 17.03 of the Listing Rules

shall not be altered to the advantage of the Participants except with the prior approval of the Shareholders of the Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Grantees as would be required of the Shareholders of the Company under the articles of association for the time being of the Company for a variation of the rights attached to the Shares.

- (b) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (c) The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (d) Any change to the authority of the Directors of the Company or scheme administrators in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders of the Company in a general meeting.

18. CANCELLATION OF OPTIONS GRANTED

The Board may at any time at its absolute discretion cancel any Option granted but not exercised. Where the Company cancels Options granted but not exercised and makes an offer of the grant of new Options to the same Option holder, the offer of the grant of such new Options may only be made, under the New Share Option Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph 3.

19. RESTRICTION ON THE TIME OF GRANT OF OPTIONS

No Offer shall be made after inside information (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Offer may be made during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board (as such date is first notified by the Company to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of such results announcement or during any period of delay in publishing a results announcement.

NOTICE OF ANNUAL GENERAL MEETING



中國自動化

中國自動化集團有限公司

China Automation Group Limited

(HK stock code 0569)

(Incorporated in the Cayman Islands with limited liability)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Boardroom 3-4, M/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 29th May, 2018 at 3:00 p.m. for the following purposes:-

1. To receive and consider the audited consolidated Financial Statements and the Directors' Report and Independent Auditor's Report for the year ended 31st December, 2017.
2. (a) To re-elect Mr. Xuan Rui Guo as an Executive Director of the Company;
- (b) To re-elect Mr. Wang Tai Wen as an Independent Non-executive Director of the Company;
- (c) To authorise the Board of Directors to fix the remuneration of all Directors of the Company.
3. To re-appoint Deloitte Touche Tohmatsu as Auditor of the Company and authorise the Board of Directors to fix the remuneration of Auditor.
4. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“**THAT:-**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.01 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of shares of the Company which the Directors of the Company are authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the total number of the issued shares of the Company as at the date of passing of this Resolution provided that if any subsequent consolidation or subdivision of shares of the Company is effected, the maximum number of shares that may be repurchased pursuant to the approval in paragraph (a) above as a percentage of the total

NOTICE OF ANNUAL GENERAL MEETING

number of issued shares immediately before and after such consolidation or subdivision shall be the same and such maximum number of shares shall be adjusted accordingly; and

- (c) for the purposes of this Resolution, “**Relevant Period**” means the period from the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting of the Company.”
5. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“**THAT:**–

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.01 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company; (iii) an issue of shares upon the exercise of the subscription or conversion rights under the terms of any warrants or any securities of the Company which are convertible into shares of the Company; or (iv) an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time, shall not exceed 20% of the total number of issued shares of the Company as at the date of passing this Resolution provided that if any subsequent consolidation or subdivision of shares of the Company is effected, the maximum number of shares that may be issued pursuant to the approval in paragraph (a) above as a percentage of the

NOTICE OF ANNUAL GENERAL MEETING

total number of issued shares immediately before and after such consolidation or subdivision shall be the same and such maximum number of shares shall be adjusted accordingly; and

(d) for the purposes of this Resolution,

“**Relevant Period**” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting of the Company; and

“**Rights Issue**” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

6. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

“**THAT** subject to the passing of the Resolution nos.4 and 5 set out in the notice convening this meeting, the general mandate granted to the Directors of the Company to allot, issue and deal with additional shares pursuant to Resolution no.5 set out in the notice convening this meeting be and is hereby extended by the addition thereto of the number of the issued shares of the Company repurchased by the Company under the authority granted pursuant to Resolution no.4 set out in the notice convening this meeting.”

7. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the approval of the listing of, and permission to deal in, the ordinary shares of HK\$0.01 each in the share capital of the Company which may fall to be issued and allotted pursuant to the exercise of any options that may be granted under the new share option scheme of the Company (the “**New Share Option Scheme**”), the New Share Option Scheme be and is hereby approved and adopted and the Directors be and are hereby authorised to approve any amendments to the rules of the New

NOTICE OF ANNUAL GENERAL MEETING

Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and subject to the terms and conditions of the New Share Option Scheme, the Directors be and are hereby authorised, at their discretion, to grant options to subscribe for shares of the Company under the New Share Option Scheme and to allot, issue and deal with the shares of the Company pursuant to the exercise of the subscription rights attaching to any options granted under the New Share Option Scheme and the Directors be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme.”

By Order of the Board
China Automation Group Limited
CHOW Chiu Chi
Secretary

Hong Kong, 25th April, 2018

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint more than one proxy (if a member holds more than one share of the Company) to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the Company’s principal place of business in Hong Kong at Suite 3205B-3206, 32nd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. For determining the entitlement to attend and vote at the annual general meeting, the register of members will be closed from Wednesday, 23rd May, 2018 to Tuesday, 29th May, 2018, both days inclusive. In order to be eligible to attend and vote at the annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 21st May, 2018.
4. With regard to item no.2 in this notice, details of the retiring Directors are set out in Appendix II of the circular to Shareholders dated 25th April, 2018.

As at the date of this notice, the Executive Directors are Mr. Xuan Rui Guo and Mr. Wang Chuensheng; and the Independent Non-Executive Directors are Mr. Wang Tai Wen, Mr. Ng Wing Fai and Mr. Zhang Xin Zhi.