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If you are in any doubt about 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 ITS (Holdings) Co., Ltd., you should at once hand this circular with the enclosed form of proxy to the purchaser or 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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China ITS (Holdings) Co., Ltd.
中国智能交通系统(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1900)

**CONNECTED TRANSACTION INVOLVING GRANT OF AWARDED
SHARES TO CONNECTED PERSONS UNDER THE 2021 SHARE AWARD
SCHEME PURSUANT TO SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**FIRST CAPITAL INTERNATIONAL
FINANCE LIMITED**

A notice convening the extraordinary general meeting (the "EGM") of China ITS (Holdings) Co., Ltd. to be held at Room V1, 6/F Building 204, No. A10 Jiuxianqiao North Road, Chaoyang District, Beijing, PRC on Wednesday, 15 December 2021 at 1:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed herein.

Whether or not you are able to attend and vote at the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof should you so wish.

29 November 2021

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DEFINITIONS

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

“2021 Share Award Scheme”	the “2021 Share Award Scheme” constituted by the rules adopted on 16 September 2021, in its present form or as amended from time to time in accordance with the provisions therein
“Announcement”	the announcement of the Company dated 8 November 2021 in relation to, amongst others, the grant of Awarded Shares to the Connected Award Participants and the transactions contemplated thereunder
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Award(s)”	award of Shares by the Company pursuant to the 2021 Share Award Scheme to any Selected Participant(s)
“Awarded Share(s)”	in respect of any Selected Participant(s), such number of Shares subject to Award(s) as determined by the Board
“Board”	the board of Directors of the Company
“Company”	China ITS (Holdings) Co., Ltd. (中国智能交通系统(控股)有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Connected Award Participants”	the Award Participants who are connected with the Company or connected persons of the Company
“Connected Awarded Shares”	the 66,160,994 Awarded Shares conditionally granted by the Company to the Connected Award Participants pursuant to the terms of the 2021 Share Award Scheme on the date of the Announcement
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the directors (whether executive or non-executive) of the Company and “Director” means any one of them

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be held at Room V1, 6/F, Building 204, No. A10, Jiuxianqiao North Road, Chaoyang District, Beijing, PRC on Wednesday, 15 December 2021 at 1:30 p.m. for the purposes of considering and if thought fit, passing the ordinary resolutions contained in the notice of the EGM, or any adjournment thereof
“Eligible Participant(s)”	any Director (whether executive or non-executive), senior management and employee of the Company and its subsidiaries and any other person whom the Board believes to have contribution or will contribute to the Group and has a direct or significant impact on the long-term development of the Group, but excluding the following persons: (i) any seconded employee, part-time employee or non-full time employee of the Group (ii) any employee of the Group who at the relevant time has given or been given notice terminating his employment, office or directorship as the case may be; and (iii) any other person that the Board may determine from time to time
“Grant Date”	8 November 2021, being the date of grant of the Awarded Shares
“General Mandate”	general mandate granted or to be granted by the Shareholders at general meetings from time to time authorizing the Board to, among other things, allot and issue Shares of up to a specific amount during a period of time
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants, the Specific Mandate and transactions contemplated thereunder
“Independent Shareholders”	independent Shareholders other than the Connected Award Participants and their respective associates

DEFINITIONS

“Independent Financial Adviser”	First Capital International Finance Limited (首控國際金融有限公司), a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the award of the Connected Awarded Shares to the Connected Award Participants
“Latest Practicable Date”	25 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Selected Participant(s)”	those Eligible Participants selected by the Board for participation in the 2021 Share Award Scheme
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary shares of HK\$0.0002 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)
“Shareholders(s)”	holder(s) of Shares
“Specific Mandate(s)”	specific mandates granted or to be granted by the Shareholders at any general meeting authorizing specific issuance of Connected Awarded Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	the China ITS Share Award Scheme Trust from which Awarded Shares may be granted to Selected Participants pursuant to the Scheme
“Trust Deed”	the trust deed constituting the Trust, as restated, supplemented and amended from time to time
“Trustee”	Futu Trustee Limited or any additional or replacement trustee in relation to the 2021 Share Award Scheme



China ITS (Holdings) Co., Ltd.
中国智能交通系统(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1900)

Executive Directors:

Mr. Liao Jie (*Chairman of the Board*)
Mr. Jiang Hailin (*Chief Executive Officer*)

Independent Non-executive Directors:

Mr. Ye Zhou
Mr. Wang Dong (*CICPA, CIMA, AAIA, CGMA*)
Mr. Zhou Jianmin

Registered Office:

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

Principal Place of Business in

Hong Kong:
8/F., Golden Star Building
20–24 Lockhart Road
Wan Chai
Hong Kong

29 November 2021

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING GRANT OF AWARDED
SHARES TO CONNECTED PERSONS UNDER THE 2021 SHARE AWARD
SCHEME PURSUANT TO SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to (i) the announcement of the Company dated 16 September 2021 regarding the adoption of the 2021 Share Award Scheme; and (ii) the Announcement of the Company dated 8 November 2021 in relation to, among others, the conditional grant of 66,160,994 Awarded Shares to the Connected Award Participants, which shall be satisfied by the grant, allotment and issue of new Shares to the Trustee pursuant to the Specific Mandates to be obtained in the EGM.

LETTER FROM THE BOARD

This circular provides you with, among others, (i) further details of the proposed grant of Connected Awarded Shares and the Specific Mandate; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants.

First Capital International Finance Limited has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the award of the Connected Awarded Shares to the Connected Award Participants.

2. GRANT OF CONNECTED AWARDED SHARES TO CONNECTED PERSONS PURSUANT TO THE 2021 SHARE AWARD SCHEME

On 8 November 2021, the Company conditionally granted a total of 66,160,994 Awarded Shares to two Connected Award Participants (namely, Mr. Luo Haibin and Mr. Mou Yi), in order to recognize the contributions of the Connected Award Participants and retain them for the continual operation and development of the Group. Pursuant to the 2021 Share Award Scheme, such grants have been approved by the Board, but the grants of the Connected Awarded Shares remain subject to the Independent Shareholders' Approval as detailed below.

The Awarded Shares will be granted to the Connected Award Participants with details as follows:

Names of Connected Award Participants	Positions held within the Group	Number of Awarded Shares
Mr. Luo Haibin	President of the Company; President and director of certain wholly-owned subsidiaries of the Company	49,620,746
Mr. Mou Yi	Chief Financial Officer and general manager of the Financial Management Department of the Company; director of certain wholly-owned subsidiaries of the Company	16,540,248
Total Connected Awarded Shares		<u><u>66,160,994</u></u>

Under the 2021 Share Award Scheme, unless approved by the shareholders of the Company in a general meeting, the maximum number of Awarded Shares which may be awarded to a single Selected Participant in any 12-month period shall not in aggregate exceed one percent (1%) of the issued share capital of the Company as at the adoption date of the 2021 Share Award Scheme (i.e. 16 September 2021 (Hong Kong time), the “**Adoption Date**”).

LETTER FROM THE BOARD

Pursuant to the 2021 Share Award Scheme, the Awarded Shares shall be granted to the Connected Award Participants for nil consideration and the vesting of which will be conditional upon the satisfaction of the vesting conditions. The Connected Awarded Shares shall be allotted and issued to the Trustee at nominal value of HK\$0.0002 each. Based on the closing price of HK\$0.160 per Share as quoted on the Stock Exchange as at the date of the Announcement, the market value of the 66,160,994 Awarded Shares granted to the Connected Award Participants is approximately HK\$10,585,759. The aggregate nominal value of the Connected Awarded Shares is approximately HK\$13,232.20. The average closing price of the Shares for the five consecutive trading days immediately preceding the date of the Announcement as quoted on the Stock Exchange is approximately HK\$0.164 per Share. Based on the average closing price of the Shares for the five consecutive trading days immediately preceding the date of the Announcement as quoted on the Stock Exchange, the market value of the 66,160,994 Awarded Shares granted to the Connected Award Participants is approximately HK\$10,850,403.

Subject to the approval of the Listing Committee for the listing of and permission to deal in the Connected Awarded Shares and approval of the Independent Shareholders for the grant, allotment and issue of the Connected Awarded Shares, the Connected Awarded Shares will be allotted and issued to the Trustee prior to each vesting of the tranches of the allotted Shares, respectively, and the Trustee will hold such Shares on trust for the Connected Award Participants in accordance with the 2021 Share Award Scheme until such Shares are transferred to the relevant Connected Award Participants upon vesting. The Trustee will not have any voting right and the Awarded Shares held by the Trustee on trust for the Selected Participants will not be counted as Shares held by the public.

To the best knowledge, information and belief of the Board after making all reasonable enquiries, the Trustee is an independent third party and not connected with the Company or any of its connected persons. The Trustee will administer the 2021 Share Award Scheme in accordance with the terms of the 2021 Share Award Scheme and the Trust Deed. Each tranche of the Connected Awarded Shares will be allotted and issued to the Trustee prior to vesting of such tranche of Connected Awarded Shares to enable the Trustee to transfer such Connected Awarded Shares to the relevant grantee upon vesting. The Company currently expects that no Connected Awarded Shares would be allotted and issued to the Trustee prior to 31 December 2021. The Trustee will become a connected person of the Company if the number of Shares held by the Trustee for the benefit of the connected persons of the Company equals to or exceeds 30% of the aggregate number of Shares held by the Trustee as the trustee of the Trust. There is no restriction on the aggregate interests of the Company's connected persons held by the Trustee under the Scheme. The Company will comply with the relevant provisions under Chapter 14A of the Listing Rules where appropriate.

LETTER FROM THE BOARD

Vesting schedule and conditions

The Connected Awarded Shares shall be vested in three tranches in accordance with the following dates of the vesting schedule (the “**Vesting Schedule**”), or such earlier date as may be determined by the Board, provided that the vesting date for the first, second and third tranche of the Awarded Shares shall not be earlier than 1 January 2022, 1 January 2023 and 1 January 2024:

Names of Connected Award Participants	Vesting Dates and Number of Connected Awarded Shares to be vested in			Grant Fee
	First tranche 30 June 2022	Second tranche 30 June 2023	Third tranche 28 June 2024	
Mr. Luo Haibin	8,187,423	8,187,423	8,435,527	Nil
	8,187,423	8,187,423	8,435,527	HK\$0.13 per Awarded Shares (or RMB equivalent), representing 80.5% of the average closing market price of the Shares for the five trading days immediately preceding the Grant Date
Sub-total	<u>16,374,846</u>	<u>16,374,846</u>	<u>16,871,054</u>	
Mr. Mou Yi	2,729,141	2,729,141	2,811,842	Nil
	2,729,141	2,729,141	2,811,842	HK\$0.13 per Awarded Shares (or RMB equivalent), representing 80.5% of the average closing market price of the Shares for the five trading days immediately preceding the Grant Date
Sub-total	<u>5,458,282</u>	<u>5,458,282</u>	<u>5,623,684</u>	
Total Connected Awarded Shares	<u><u>21,833,128</u></u>	<u><u>21,833,128</u></u>	<u><u>22,494,738</u></u>	

LETTER FROM THE BOARD

The vesting of the Awarded Shares is also subject to the conditions as set out in the 2021 Share Award Scheme and the following vesting conditions as specified by the Board in the relevant grant letters:

1. The Selected Participant remain as an Eligible Participant on and before the relevant vesting date in accordance with the Vesting Schedule;
2. The Selected Participant achieved his/her respective performance target(s) as specified in the relevant grant letter;
3. With respect to half of the Awarded Shares to be vested in each tranche, the Selected Participant has duly paid the grant fee of HK\$0.13 per Share, or RMB equivalent (the “**Grant Fee**”), to the Group (if applicable); and
4. The Selected Participant has completed the relevant filings and obtained the necessary approvals in respect of the transfer of the Awarded Shares by the Trustee to himself/herself (if required).

(collectively, the “**Grant Letter Conditions**”).

For the avoidance of doubt, Awarded Shares which do not require payment of Grant Fee will vest in the relevant grantees on the relevant vesting date(s) independent of the vesting of Awards Shares which requires Grant Fee, provided that the relevant vesting conditions (if any) are satisfied, whether or not any Grant Fee is paid for any Award Shares in the same tranche the vesting of which requires Grant Fee.

Clawback mechanism for the grant of Connected Awarded Shares

Under the 2021 Share Award Scheme, the Company may withhold any awards granted to a Selected Participant in the event of dishonesty or serious misconduct, other special circumstances and conditions stipulated in the relevant grant letters, as part of the conditions to the grant of the Awarded Shares.

Specifically, the Awarded Shares shall vest in the relevant Selected Participant(s) provided that the Grant Letter Conditions have been and remain satisfied at the relevant dates and that the Selected Participant(s) remains on the Vesting Date (or, as the case may be, on each relevant Vesting Date) an Eligible Participant of the Group, and provided that none of the events referred to below has arisen:

- (a) unless the Board determines otherwise, the circumstances under which a person shall be treated as having ceased to be an Eligible Participant shall include, without limitation, the following:
 - i. dishonesty or serious misconduct, whether or not in connection with his employment; wilful disobedience or non-compliance with the terms of his employment contract with the Company or the Subsidiary or any lawful orders or instructions given by the Company or the Subsidiary;

LETTER FROM THE BOARD

- ii. incompetence or negligence in the performance of his duties; or
 - iii. doing anything in the conclusive opinion of the Company, adversely affects his ability to perform his duties properly or bring the Company or the Group into disrepute.
- (b) has been summarily dismissed by the Company;
 - (c) has become bankrupt or failed to pay his debts within a reasonable time after they become due or has made any arrangement or composition with his creditors generally or an administrator has taken possession of any of his assets;
 - (d) has been convicted for any criminal offence; or
 - (e) has been charged, convicted or held liable for any offence under the Securities and Futures Ordinance (Cap. 571) or any other similar applicable laws or regulations in force from time to time.

Ranking of the Connected Awarded Shares

The Connected Awarded Shares, when issued and fully paid, shall rank *pari passu* among themselves and with those Shares in issue, with the right to receive all dividends and other distributions declared, made or paid on or after the allotment date.

Conditions precedent

The grant, allotment and issue of the 66,160,994 Connected Awarded Shares to the Connected Award Participants under the 2021 Share Award Scheme shall be subject to:

- (a) the approval by the Independent Shareholders at the EGM in respect of the grant, allotment and issue of the Connected Awarded Shares, the Specific Mandate and the transactions contemplated thereunder pursuant to the terms of the 2021 Share Award Scheme and the grant letters issued by the Company to the Connected Award Participants, namely Mr. Luo Haibin and Mr. Mou Yi; and
- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in the Connected Awarded Shares.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the aggregate of 66,160,994 Connected Awarded Shares.

LETTER FROM THE BOARD

The Connected Awarded Shares will be allotted and issued to the Connected Award Participants with details as follows:

Connected Award Participants	Number of Connected Awarded Shares granted to the Connected Award Participants	Approximate market value of the Connected Shares as at the date of the Announcement <i>HK\$</i> <i>(Note 1)</i>	Approximate market value of the Connected Shares as at the Latest Practicable Date <i>HK\$</i> <i>(Note 2)</i>	Approximate percentage of total Shares in issue as of the Latest Practicable Date <i>(Note 3)</i>
Mr. Luo Haibin	49,620,746	7,939,319	8,435,527	3.0%
Mr. Mou Yi	16,540,248	2,646,440	2,811,842	1.0%
Total Connected Awarded Shares	66,160,994	10,585,759	11,247,369	4.0%

Notes:

- (1) The market value of the Connected Awarded Shares is calculated based on the closing market price per Share of HK\$0.160 as of 8 November 2021, being the date of the Announcement before taking into account the Grant Fee payable by the respective Connected Award Participants.
- (2) The market value of the Connected Awarded Shares is calculated based on the closing market price per Share of HK\$0.170 as of 25 November 2021, being the Latest Practicable Date before taking into account the Grant Fee payable by the respective Connected Award Participants.
- (3) As of the Latest Practicable Date, the total number of Shares in issue is 1,654,024,868.

Issue of Connected Awarded Shares to Connected Award Participants

The aggregate of 66,160,994 Connected Awarded Shares to be allotted and issued by the Company to the Connected Award Participants, represent (i) approximately 4.0% of the total number of Shares in issue as of the Latest Practicable Date; and (ii) approximately 3.85% of the total number of Shares in issue as enlarged by the allotment and issue of the Connected Awarded Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the allotment date of the new Shares, other than the allotment and issue of the Connected Awarded Shares).

The grant of the Connected Awarded Shares to the Connected Award Participants has been approved by all members of the Remuneration Committee. The Board (upon the recommendation of the Remuneration Committee) determined the Connected Award Participants and the number of Awarded Shares granted to each of them with reference to their respective roles, responsibilities, years of services, work experience, contributions and remuneration packages.

LETTER FROM THE BOARD

The positions, roles and responsibilities of the Connected Award Participants are set out as follows:

**Name of
Connected
Award**

Participants

Position

Responsibilities and contributions to the Group

Mr. Luo Haibin	President of the Company; President and director of certain wholly-owned subsidiaries of the Company	Reports to the Chief Executive Officer of the Company and is primarily responsible for the operation and day to day management of the Group's railway business and implementing strategic plans in accordance with the Group's vision, mission and overall directions, and ensuring that the goals of the Group's core business in the railway sector is achieved.
Mr. Mou Yi	Chief Financial Officer and general manager of the Financial Management Department of the Company; director of certain wholly-owned subsidiaries of the Company	Reports to the Chief Executive Officer of the Company and is primarily responsible for the overall financial management and investment business of the Group. In accordance with the Group's overall strategic and management plans, execute financial budgets, reduce financial costs and improve working capital efficiency such that the Group can gradually achieve a more stable financial position, identify potential merger and acquisition deals that will enhance Shareholders' values and organize the implementation of investment mergers and acquisitions.

LETTER FROM THE BOARD

3. EFFECTS ON SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company as of the Latest Practicable Date and immediately after the allotment, issue and full vesting of the Awarded Shares (assuming no other change in the issued share capital of the Company other than the allotment, issue and full vesting of the Awarded Shares):

Name of Shareholder	As at the Latest Practicable Date		Immediately after the issuance, allotment and full vesting of the Connected Awarded Shares (assuming no other actual or potential change in the issued share capital of the Company)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Controlling Shareholder Group	645,912,777	39.05%	645,912,777	37.55%
Sub-total	645,912,777	39.05%	645,912,777	37.55%
Connected Award Participants				
Mr. Luo Haibin	Nil	Nil	49,620,746	2.88%
Mr. Mou Yi ⁽¹⁾	630,000	0.04%	17,170,248	1.00%
Sub-total	630,000	0.04%	66,790,994	3.88%
Other public shareholders	1,007,482,091	60.91%	1,007,482,091	58.57%
Total	1,654,024,868	100%	1,720,185,862	100%

Notes:

(1) As at the Latest Practicable Date, Mr. Mou Yi directly holds 630,000 Shares.

4. EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

5. REASONS FOR AND BENEFITS OF THE GRANT OF CONNECTED AWARDED SHARES

The Group is mainly a provider of products, specialised solutions and services related to infrastructure technology in the railway and electric power sectors.

LETTER FROM THE BOARD

In determining the proposed grant of 49,620,746 Connected Awarded Shares to Mr. Luo Haibin (equivalent to approximately 3.0% of the total issued shares of the Company as of the Latest Practicable Date) and the proposed grant of 16,540,248 Connected Awarded Shares to Mr. Mou Yi (equivalent to approximately 1.0% of the total issued shares of the Company as of the Latest Practicable Date), the Board and the Remuneration Committee conducted a qualitative and quantitative assessment based on several factors, such as the Connected Award Participants' respective roles, responsibilities, years of service, work experience, contributions, remuneration packages and salaries paid by comparable companies.

In terms of qualitative assessment, the Board and the Remuneration Committee considered the following roles, responsibilities, years of service, work experience and contributions of the respective Connected Award Participants, in particular, taking into account:

- (a) Mr. Luo Haibin's contributions to the Group. He currently holds various senior management roles in the Group, namely the President of the Company, and President and director of certain wholly-owned subsidiaries of the Company. With over 14 years of work experience in the Group and since his appointment as President of the Company in 2018, Mr. Luo Haibin has fully devoted himself to the development of the operation and day-to-day management of the Group's core railway business. As the pillar industry of the Group, the railway business segment accounted for approximately 85% of the total revenue of the Group for the year ended 31 December 2020. Mr. Luo Haibin implements strategic plans to further the Group's vision, mission and overall direction, and ensures that the goals of the Group's core business in the railway business sector is achieved. In addition, Mr. Luo Haibin led the research and development team to obtain a patent for the signal demodulation and processing software of the optical fibre sensor system for railway perimeter safety protection, providing more space for profitable growth in the future for the Company and thereby, making valuable contributions to the Group; and
- (b) Mr. Mou Yi's contributions to the Group. Since joining in October 2004 and serving over 17 years in the Group, Mr. Mou Yi has held various positions, including Chief Financial Officer, general manager of the Financial Management Department, and director of certain wholly-owned subsidiaries of the Company. Mr. Mou Yi is primarily responsible for the overall financial management and investment of the Group, such as executing financial budgets, reducing financial costs and improving working capital efficiency. Mr. Mou Yi also played an important role in the Group's diversification of investment by identifying potential mergers and acquisitions, as well as investment opportunities for the Group. Mr. Mou Yi played key roles in the Company's acquisition of CEECGLOBAL LIMITED, which developed a revenue-generating power plant business line for the Group in May 2019 and the listing of Forever Opensource Software Inc. (stock code: 834415), which the Group has shareholding interests in, on the PRC's Selective Layer of the National Equities Exchange and Quotations in July 2020, thereby expanding the Group's business and enhancing Shareholder value.

LETTER FROM THE BOARD

Furthermore, the Board and the Remuneration Committee also considered the remuneration packages generally given to Eligible Participants of the Company, which comprise of base salary, bonus, welfare contributions and equity incentives. As of the Latest Practicable Date, the Connected Award Participants did not receive any share awards as part of their remuneration package in the Company nor any remuneration for their other positions in the Group.

In terms of quantitative assessment, the Board and the Remuneration Committee aims at ensuring that their respective total remuneration package will be competitive and in line with market rates, taking into account their respective contribution to the Group and other qualitative factors as discussed above. In addition, the Board and the Remuneration Committee also determined that half of the Connected Awarded Shares should be granted subject to payment of a grant fee in order to increase the Connected Award Participants' cohesiveness and alignment of interests with the Company and Shareholders, and the Grant Fee for this purpose was determined to be HK\$0.13 per Share, representing 80.5% of the average closing market price of the Shares for the five trading days immediately preceding the Grant Date. The Board and the Remuneration Committee selected five companies listed on the Shenzhen Stock Exchange, being companies operating in the same industry as the Group with the relevant roles recruited from the PRC talent market (the "**Comparable Companies**"), for the purpose of determining the market rates of remuneration packages for roles similar to the Connected Award Participants.

The particulars of the Comparable Companies and their respective remuneration for comparable positions, based on their latest publicly disclosed information, are as follows:

Comparable Companies	Place of listing	Comparable Positions	Years of service in Comparable Companies	Base Salary and Bonus '000 RMB	Share Incentive '000 RMB	Total Annual Remuneration '000 RMB
Digital China Information Service Company Ltd. (Stock Code: 000555)	Shenzhen Stock Exchange	Senior Vice President	18 years	1,861.2	1,453.8	3,315.0
		CFO	21 years	1,275.1	1,453.8	2,728.9
China Transinfo Technology Co., Ltd (Stock Code: 002373)	Shenzhen Stock Exchange	Vice General Manager; Director	3 years	3,562.5	Nil	3,562.5
		CFO; Vice General Manager	12 years	412.5	Nil	412.5
Beijing Jiaxun Feihong Electrical Co., Ltd (Stock Code: 300213)	Shenzhen Stock Exchange	Vice General Manager	6 years	819.7	282.6	1,102.3
		CFO; Vice General Manager	4 years	1,063.2	282.6	1,345.8
Henan Splendor Science & Technology Co., Ltd. (Stock Code: 002296)	Shenzhen Stock Exchange	Vice General Manager	20 years	982.0	Nil ⁽¹⁾	982.0
		CFO	17 years	632.5	Nil ⁽¹⁾	632.5
Beijing Century Real Technology Co., Ltd (Stock Code: 300150)	Shenzhen Stock Exchange	Vice General Manager; Director	16 years	767.6	Nil	767.6
		CFO not listed	N/A	N/A	N/A	N/A

LETTER FROM THE BOARD

Notes:

- (1) During the reporting period of the annual report of Henan Splendor Science & Technology Co., Ltd, none of the restricted shares granted to senior management were vested.

Average annual remuneration (base salary, bonus and share incentive) of Vice President/vice general managers of the Comparable Companies in their respective latest financial year

RMB

Maximum	3,562,500.00
Minimum	767,600.00
Average	1,945,900.00

Average annual remuneration (base salary, bonus and share incentive) of Chief Financial Officers of the Comparable Companies in their respective latest financial year

RMB

Maximum	2,728,900.00
Minimum	412,500.00
Average	1,279,900.00

The Board and the Remuneration Committee generally employed the following methodology in determining the amount of Awarded Shares to grant to the Connected Award Participants. Firstly, determine a target annual remuneration for each of the Connected Award Participants, by reference to the Comparable Companies. Secondly, determine the difference between the target remuneration and the current remuneration package of each of the Connected Award Participants (“**Target Value**”). Thirdly, determine a per Share price for the Awarded Shares (the “**Benchmark Share Price**”) for the purpose of calculating the number of Connected Awarded Shares to be granted. The Benchmark Share Price was determined to be HK\$0.16 per Share by reference to the closing price of the Shares at the Grant Date. Fourthly, determine a preliminary number (“**Preliminary Number**”) of Awarded Shares to vest in the relevant Connected Award Participant each year by reference to the Target Value, the Grant Fee and the Benchmark Share Price, such that the sum of (i) Benchmark Share Price multiplied by half of the Preliminary Number and (ii) Benchmark Share Price minus Grant Fee, multiplied by half of the Preliminary Number, will be equal to the Target Value. Finally, taking into account the total time period relevant to this grant and optimization of the effect of the incentives, determine the vesting period for each tranche and set the amount of Awarded Shares for each tranche by making appropriate adjustments to the Preliminary Number.

LETTER FROM THE BOARD

In the case of Mr. Luo Haibin, the target annual remuneration was determined to be RMB1.97 million, which is generally on par with the average of the total remuneration for the comparable position among the Comparable Companies. By reference to Mr. Luo Haibin's remuneration (without taking into account the grant of Connected Awarded Shares), the Target Value for Mr. Luo Haibin was RMB1.29 million. In the case of Mr. Mou Yi, the target annual remuneration was determined to be RMB1.28 million, which is generally on par with the average of the total remuneration for the comparable positions among the Comparable Companies. By reference to Mr. Mou Yi's remuneration (without taking into account the grant of Connected Awarded Shares), the Target Value for Mr. Mou Yi was RMB430,000. Accordingly, the numbers of Connected Awarded Shares granted to Mr. Luo Haibin and Mr. Mou Yi, respectively, were determined based on these parameters through the methodology described above.

Taking into account the Connected Awarded Shares, the annual remuneration of the Connected Award Participants will be within the respective ranges of total annual remuneration paid by the Comparable Companies for comparable positions and will fall close to the average of such amounts. Given the qualitative and quantitative assessments conducted by the Remuneration Committee, the Board (upon the recommendation of the Remuneration Committee) is of the view that the grant of the Connected Awarded Shares to the Connected Award Participants on the terms as set out above is fair, reasonable and in line with market practice, such that it would recognize the Connected Award Participants' past and expected future contribution to the success and development of the Group.

The Board (upon the recommendation of the Remuneration Committee) considers that the award of the Connected Awarded Shares to the Connected Award Participants is intended to increase alignment between the interests of the Connected Award Participants and the long-term interests of the Shareholders, recognizes and motivates the contributions of the Connected Award Participants and to give incentives thereto in order to retain them for the continual operation and development of the Group, as well as recognizes their past and expected future contribution to the success and development of the Group. Furthermore, there will not be any cash outflow and cash can be preserved by the Group under the award of the Connected Awarded Shares to provide incentives to the Connected Award Participants. In this regard, the Directors consider that the terms and conditions of the grant, allotment and issue of the Connected Awarded Shares are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Upon the allotment and issue of the Connected Awarded Shares, the Trustee will hold the new Shares on trust for the Connected Award Participants and such Connected Awarded Shares shall be transferred to the Connected Award Participants at no consideration on the vesting dates (other than the Grant Fee to be paid by the Connected Award Participants to the Group). As such, no funds (other than the Grant Fee) will be raised by the Company as a result of the allotment and issue of the Awarded Shares.

LETTER FROM THE BOARD

6. LISTING RULES IMPLICATIONS

As the Connected Award Participants consist of Mr. Luo Haibin, who is a director of certain wholly-owned subsidiaries of the Company, and Mr. Mou Yi, who is a director of certain wholly-owned subsidiaries of the Company, respectively, the Connected Award Participants are connected persons of the Company at the subsidiary level. Therefore, the grant, allotment and issue of Connected Awarded Shares to each of the Connected Award Participants under the 2021 Share Award Scheme constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and shall be subject to, among others, the approval by the Independent Shareholders at the EGM.

As at the Latest Practicable Date, Mr. Mou Yi directly holds 630,000 Shares of the Company, or 0.04% of the issued share capital of the Company. As Mr. Mou Yi has a material interest in the ordinary resolution at the EGM to approve the grant, allotment and issue of the Connected Awarded Shares to himself under the 2021 Share Award Scheme, he will abstain from voting on such resolution.

Pursuant to Chapter 14A of the Listing Rules, to the best knowledge, information and belief of the Directors, save for Mr. Mou Yi and his respective associates (who are in aggregate holding 630,000 Shares as at the Latest Practicable Date), no other Shareholder is required to abstain from voting on the resolution(s) to approve the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants and the transactions contemplated thereunder at the EGM to be convened by the Company.

None of the Directors is or is deemed to have a material interest in the Connected Awarded Shares.

7. EGM

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at the EGM must be taken by poll. Therefore, all resolution(s) proposed at the EGM shall be voted by poll in accordance with the Listing Rules and the Articles of Association of the Company. The poll results will be announced in accordance with Rule 13.39(5) of the Listing Rules after the conclusion of the EGM.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.its.cn). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (i.e. no later than 1:30 p.m. on Monday, 13 December 2021 (Hong Kong time)) or the adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

LETTER FROM THE BOARD

8. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 19 to 20 of this circular and the letter of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 21 to 45 of this circular in connection with the grant, allotment and issue of the Connected Awarded Shares under the Specific Mandate and the transactions contemplated thereunder and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Directors (including the Independent Board Committee after considering the advice of the Independent Financial Adviser) consider that although the grant, allotment and issue of the Connected Awarded Shares is not in the ordinary and usual course of business of the Group, it is incidental to the Group's development of its ordinary and usual course of business. The Directors consider that the terms of the grant, allotment and issue of the Connected Awarded Shares are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the grant, allotment and issue of the Connected Awarded Shares is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

9. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
China ITS (Holdings) Co., Ltd.
Mr. Liao Jie
Chairman



China ITS (Holdings) Co., Ltd.
中国智能交通系统(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1900)

29 November 2021

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING GRANT OF AWARDED
SHARES TO CONNECTED PERSONS UNDER THE 2021 SHARE AWARD
SCHEME PURSUANT TO SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular (the “**Circular**”) dated 29 November 2021 issued by the Company of which this letter forms part. Capitalized terms used in this letter have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders in relation to the grant, allotment and issue of Connected Awarded Shares and the Specific Mandate. First Capital International Finance Limited has been appointed by the Company as the independent financial adviser (the “**Independent Financial Adviser**”) to advise us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 21 to 45 of the Circular. Your attention is also drawn to the letter from the Board, letter from the Independent Financial Adviser and the additional information set out in the appendices of the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that although the grant, allotment and issue of the Connected Awarded Shares is not in the ordinary and usual course of business of the Group, it is incidental to the Group’s development of its ordinary and usual course of business. We consider that the terms of the grant, allotment and issue of the Connected Awarded Shares are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the grant, allotment and issue of the Connected Awarded Shares is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders should vote in favor of the resolutions to be proposed at the EGM to approve the grant, allotment and issue of the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Connected Awarded Shares, the Specific Mandate, and the transactions contemplated thereunder pursuant to the terms of the 2021 Share Award Scheme and the grant letters issued by the Company to the Connected Award Participants, namely Mr. Luo Haibin and Mr. Mou Yi.

Yours faithfully,
For and on behalf of

The Independent Board Committee

Mr. Ye Zhou

Mr. Wang Dong

Mr. Zhou Jianmin

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from First Capital International Finance Limited, the Independent Financial Adviser, prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the grant of Connected Awarded Shares to Connected Award Participants.



FIRST CAPITAL INTERNATIONAL FINANCE LIMITED

Unit 4513, 45th Floor
The Center
99 Queen's Road Central
Hong Kong

29 November 2021

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION INVOLVING GRANT OF AWARDED SHARES TO CONNECTED PERSONS UNDER THE 2021 SHARE AWARD SCHEME PURSUANT TO SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants (the “**Grant**”). Details of the Grant are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular dated 29 November 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter (the “**Letter**”) forms part. Terms used herein shall have the same meanings as defined in this Circular unless the context requires otherwise.

Reference is made to the Announcement in relation to, among other things, the Grant.

On 8 November 2021, the Company conditionally granted a total of 66,160,994 Awarded Shares to two Connected Award Participants (namely, Mr. Luo Haibin (“**Mr. Luo**”) and Mr. Mou Yi (“**Mr. Mou**”)), in order to recognize the contributions of the Connected Award Participants and retain them for the continual operation and development of the Group. Pursuant to the 2021 Share Award Scheme, such Grant has been approved by the Board, but the Grant remains subject to the Independent Shareholders’ Approval.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

The two Connected Award Participants are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules. Therefore, the Grant constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and shall be subject to, among others, the approval by the Independent Shareholders at a general meeting of the Company in accordance with the requirements of the Listing Rules.

None of the Directors had any interest in the Grant and therefore no Director abstained from voting on the relevant resolution of the Board in respect of the Grant.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ye Zhou, Mr. Wang Dong and Mr. Zhou Jianmin, has been established to advise the Independent Shareholders as to:

- (a) whether the Grant is in the ordinary and usual course of business of the Group;
- (b) whether the terms of the Grant are on normal commercial terms and are fair and reasonable;
- (c) whether the Grant is in the interests of the Company and the Shareholders as a whole; and
- (d) the voting on the relevant resolution in respect of the grant, allotment and issue of Connected Awarded Shares under the Specific Mandate.

None of the members of the Independent Board Committee has any interest or involvement in the Grant. Having obtained and considered the advice from the Independent Financial Adviser, the view and recommendation of the Independent Board Committee in respect of the Grant and the Specific Mandate are set out in the letter from the Independent Board Committee in this Circular.

We, First Capital International Finance Limited (“**First Capital**”), have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

INDEPENDENCE OF FIRST CAPITAL

Save for our appointment as the independent financial adviser to provide our independent advice on the non-competition agreement (the “**Previous Appointment**”), details of which are set out in the circular dated 11 May 2021 issued by the Company to the Shareholders and this appointment as the Independent Financial Adviser to provide our independent advice on the Grant, as at the Latest Practicable Date, First Capital did not have any other relationship with or any interests in the Company that could reasonably be regarded as relevant to our independence. In the last two years, save for the Previous Appointment and the appointment as the Independent Financial Adviser in connection with the Grant, there was no engagement between the Group and First Capital. Apart from normal professional fees paid or payable to us in connection with the Previous Appointment and this appointment, no arrangement exists whereby we have received or will receive any fees or benefits from the Group. Accordingly, we are considered eligible to act as the Independent Financial Adviser and to give independent advice on the Grant under Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our advice, we have relied on the truth, accuracy and completeness of the statements, information, facts, representations and opinions contained or referred to in this Circular, provided and made to us by the Directors and management of the Company (collectively, the “**Management**”), the Company, and its advisers. We have reviewed, amongst other things, (i) the Announcement; (ii) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”); (iv) the announcement of the Company dated 16 September 2021 in relation to the adoption of the 2021 Share Award Scheme (the “**2021 Share Award Scheme Announcement**”); and other information, representations and opinions as contained or referred to in this Circular and those provided by the Management, the Company and its advisers.

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 in this Circular or this Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information and facts supplied and the representations made and opinions expressed by them are not misleading in any material respect.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for us to formulate our advice as set out in this Letter. We have assumed that all statements, information, facts, representations and opinions contained or referred to in this Circular and/or those provided to us by the Management, the Company, and its advisers, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so in all material respect up to the date of the EGM.

We have also assumed that all the statements, information, facts, representations and opinions contained or referred to in this Circular and/or provided to us have been reasonably made after due enquiries and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any such statement contained in this Circular misleading. We have no reason to suspect that any material information or facts have been omitted or withheld nor to doubt the truth, accuracy or completeness of the information and facts contained in this Circular or provided to us, or the reasonableness of the opinions expressed by the Management, the Company, and its advisers, which have been provided to us. We have also sought and received confirmation from the Directors that no material information and facts have been omitted from the information and facts provided to us and the representations made and opinions expressed by them are not misleading or deceptive in any material respect.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of this Circular, save and except for this Letter.

We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the businesses, affairs, operations, financial position or future prospects of the Group.

Our advice is necessarily based on the prevailing financial, economic, market and other conditions and the information made available to us as at the Latest Practicable Date. Where information in this Letter has been extracted from published or otherwise publicly available sources, the sole responsibility of ours is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not used out of context.

This Letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the matters relating to the Grant. Except for its inclusion in this Circular, this Letter is not to be quoted or referred to, in whole or in part, nor shall this Letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Background information of the Group

The Group is mainly a provider of products, specialised solutions and services related to infrastructure technology in the railway and electric power sectors.

As described in the section headed “BUSINESS AND FINANCIAL REVIEW” under the “Management Discussion and Analysis” contained in the 2021 Interim Report, the main businesses of the Group are as follows:

(a) Railway business

The Group provides products and specialised solutions to customers according to their needs, which mainly includes railway communication products and energy-based products. It also provides railway customers with value-added operations and services such as maintenance services, network optimization and network planning and technical consultation for products related to railway communication systems.

(b) Electric power business

The Group provides products and specialised solutions related to electric power equipment for customers in the electric power infrastructure construction sector, which mainly includes power transmission and transformation equipment, power generation equipment, and other related products. According to its customers’ needs, the Group also provides planning and technical consultation services of the infrastructure construction in relation to electric power such as power plant construction and power grid renovation, as well as value-added operations and services related to power plant investment, construction and operation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table summarizes the financial performance of the Group the two years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, extracted from the 2020 Annual Report and the 2021 Interim Report, respectively.

	For the year ended 31 December		For the period ended 30 June	
	2020	2019	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Railway business	788,655	1,10,029	213,971	219,564
Electric power	141,881	23,161	97,454	17,506
Total Revenue	930,536	1,033,190	311,425	237,070
Profit/(loss) before tax	(142,746)	(35,524)	60,831	50,650
Profit/(loss) for the year/period attributable to Shareholders	<u>(177,104)</u>	<u>(50,977)</u>	<u>29,639</u>	<u>39,449</u>

For the six months ended 30 June 2020 and 2021

The revenue of the Group amounted to approximately RMB311.4 million for the six months ended 30 June 2021, representing an increase of approximately 31.4% as compared to that of approximately RMB237.1 million for the six months ended 30 June 2020, mainly due to the increase in revenue from power supply segment. The power plant project in Myanmar passed the inspection and acceptance by the Ministry of Electricity of Myanmar on 18 January 2021 and was officially put into operation.

The profit attributable to Shareholders amounted to approximately RMB29.6 million for the six months ended 30 June 2021, representing a decrease of approximately RMB9.8 million as compared to the same period last year. Such decrease was mainly due to the decrease in profit through fair value changes generated from the Group's equity investments compared with the same period last year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the years ended 31 December 2019 and 2020

The revenue of the Group amounted to approximately RMB930.5 million for the year ended 31 December 2020, representing a decrease of approximately 9.9% as compared to that of approximately RMB1,033.2 million for the year ended 31 December 2019. The decrease in revenue from the railway business was due to the COVID-19 pandemic for the year ended 31 December 2020, the resumption of work and production of enterprises was affected greatly, and the delivery of some railway projects was delayed, which further resulted in the decrease in revenue. The increase in the electric power business was mainly due to the fact that the Group's self-built power plant had been put into production and operation during the year ended 31 December 2020.

The loss attributable to Shareholders for the year ended 31 December 2020 increased by approximately 247.4%, from approximately RMB51.0 million for the year ended 31 December 2019 to approximately RMB177.1 million for the year ended 31 December 2020. Such increase in loss was mainly due to the impact of the COVID-19 pandemic, the Group's railway sector business having experienced a significant decline compared to the same period in 2019, and an impairment loss of approximately RMB175.1 million.

2. The 2021 Share Award Scheme

On 16 September 2021, the Board approved the adoption of the 2021 Share Award Scheme. We understand that the purposes of the 2021 Share Award Scheme are to recognize the contributions of certain Directors, senior management and employees of the Company and its subsidiaries, or other Eligible Participant(s) and to retain and motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

According to our discussion with the Management, we understand that the Board has adopted the 2021 Share Award after considering the market practice of companies listed on the Main Board of the Stock Exchange.

3. Information on the Connected Award Participants

The Connected Award Participants are Mr. Luo, who is the President of the Company and the President and director of certain wholly-owned subsidiaries of the Company, and Mr. Mou, who is the Chief Financial Officer and general manager of the Financial Management Department of the Company and director of certain wholly-owned subsidiaries of the Company. The following table summarizes the information of the Connected Award Participants and the Connected Awarded Shares granted to them.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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Names of Connected Award Participants	Positions held within the Group	Number of Connected Awarded Shares	Approximate market value of the Connected Awarded Shares as at the Latest Practicable Date <i>HK\$</i>	Approximate percentage of Connected Awarded Shares to the total issued Shares as at the Latest Practicable Date
Mr. Luo	President of the Company; President and director of certain wholly-owned subsidiaries of the Company	49,620,746	8,435,527	3.0%
Mr. Mou	Chief Financial Officer and general manager of the Financial Management Department of the Company; director of certain wholly-owned subsidiaries of the Company	16,540,248	2,811,842	1.0%
Total Connected Awarded Shares		<u>66,160,994</u>	<u>11,247,369</u>	<u>4.0%</u>

We have reviewed the professional background and information of the Connected Award Participants provided by the Management. Mr. Lou reports to the Chief Executive Officer of the Company and is primarily responsible for the operation and day to day management of the Group's railway business and implementing strategic plans in accordance with the Group's vision, mission and overall directions, and ensuring that the goals of the Group's core business in the railway sector is achieved. As disclosed in the 2020 Annual Report, Mr. Luo joined the Group in November 2007 and served as the general manager of the Central South area of Beijing Zhixun Tiancheng Technology Co. Ltd. ("**Zhixun Tiancheng**"), responsible for the marketing in the Central South area. He then served as the general manager of the Department of Sales Management, general manager of the Marketing Department, vice general manager and general manager of Zhixun Tiancheng. He has been the legal representative of Zhixun Tiancheng, responsible for the operational management of the Company and the rapid transit group since November 2007. Mr. Luo served as the vice president of the Company from February 2015 to March 2018, and has served as the president of the Company since March 2018. In addition, Mr. Luo has also served as (i) the executive director of Zhongtian Runbang Information Technology Co., Ltd. since December 2014; (ii) the legal representative, executive director and general manager of Jiangsu Zhixun Tiancheng Technology Co., Ltd. since July 2015; (iii) the director and general manager of Beijing Aproud Technology Co., Ltd. since March 2016; and (iv) the legal representative, executive director and manager of Beijing Zhongzhi Runbang Intelligent Railway Transportation Technology Co., Ltd.. Zhixun Tiancheng, Zhongtian Runbang Information Technology Co. Ltd., Jiangsu Zhixun Tiancheng

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Technology Co., Ltd., Beijing Aproud Technology Co., Ltd. and Beijing Zhongzhi Runbang Intelligent Railway Transportation Technology Co., Ltd. are wholly owned subsidiaries of the Company.

Mr. Mou reports to the Chief Executive Officer of the Company and is primarily responsible for the overall financial management and investment business of the Group. In accordance with the Group's overall strategic and management plans, execute financial budgets, reduce financial costs and improve working capital efficiency such that the Group can gradually achieve a more stable financial position, identify potential merger and acquisition deals that will enhance Shareholders' values and organize the implementation of investment mergers and acquisitions. As disclosed in the 2020 Annual Report, Mr. Mou was appointed as chief financial officer of the Company in March 2018, and has served as general manager of Financial Management Department since October 2009, being responsible for internal financial management. Mr. Mou served as the supervisor of Beijing Hongrui Dake Technology Co., Ltd. from November 2015 to July 2019 and its legal representative, executive director, and manager since August 2019. He also served as the director and general manager of Beijing Haotian Jiajie Technology Co., Ltd. since August 2017. Beijing Hongrui Dake Technology Co., Ltd. and Beijing Haotian Jiajie Technology Co., Ltd. are wholly owned subsidiaries of the Company. In addition, Mr. Mou has been a director of Forever Opensource Co., Ltd., a company listed on the National Equities Exchange and Quotations in the PRC (stock code: 834415), since September 2017, a director of Shenzhen Anxiao Investment Co., Ltd. since December 2018 and a director of Shenzhen Honglu Technology Co., Ltd. since February 2019. The Group has shareholding interests of approximately 22%, 10% and 10% in Forever Opensource Co., Ltd., Shenzhen Anxiao Investment Co., Ltd. and Shenzhen Honglu Technology Co., Ltd. respectively.

The Connected Award Participants joined the Group over ten years ago and served in senior management roles in their respective professional and expertise areas of financial, legal and marketing functions which are instrumental to the management, operation and development of the Group, assuming the roles of management and supervising of these functions.

4. Reasons for and benefits of the Grant

On 8 November 2021, the Company conditionally granted a total of 66,160,994 Connected Awarded Shares, representing approximately 4.0% of the total issued Shares as at the date of the Announcement, to two Connected Award Participants pursuant to the 2021 Share Award Scheme. In determining the proposed grant of 49,620,746 Connected Awarded Shares to Mr. Luo (equivalent to approximately 3.0% of the total issued shares of the Company as of the Latest Practicable Date) and the proposed grant of 16,540,248 Connected Awarded Shares to Mr. Mou (equivalent to approximately 1.0% of the total issued shares of the Company as of the Latest Practicable Date), the Board and the Remuneration Committee conducted a qualitative and quantitative assessment based on several factors, such as the Connected Award Participants' respective roles, responsibilities, years of service, work experience, contributions, remuneration packages and salaries paid by comparable companies.

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In terms of qualitative assessment, the Board and the Remuneration Committee considered the following roles, responsibilities, years of service, work experience and contributions of the respective the Connected Award Participants, in particular, taking into account:

- (a) Mr. Luo's contributions to the Group. He currently holds various senior management roles in the Group, namely the President of the Company, and President and director of certain wholly-owned subsidiaries of the Company. With over 14 years of work experience in the Group and since his appointment as President of the Company in 2018, Mr. Luo has fully devoted himself to the development of the operation and day-to-day management of the Group's core railway business. As the pillar industry of the Group, the railway business segment accounted for approximately 85% of the total revenue of the Group for the year ended 31 December 2020. Mr. Luo implements strategic plans to further the Group's vision, mission and overall direction, and ensures that the goals of the Group's core business in the railway business sector is achieved. In addition, Mr. Luo led the research and development team to obtain a patent for the signal demodulation and processing software of the optical fibre sensor system for railway perimeter safety protection, providing more space for profitable growth in the future for the Company and thereby, making valuable contributions to the Group; and
- (b) Mr. Mou's contributions to the Group. Since joining in October 2004 and serving over 17 years in the Group, Mr. Mou has held various positions, including Chief Financial Officer, general manager of the Financial Management Department, and director of certain wholly-owned subsidiaries of the Company. Mr. Mou is primarily responsible for the overall financial management and investment of the Group, such as executing financial budgets, reducing financial costs and improving working capital efficiency. Mr. Mou also played an important role in the Group's diversification of investment by identifying potential mergers and acquisitions, as well as investment opportunities for the Group. Mr. Mou played key roles in the Company's acquisition of CEECGLOBAL LIMITED, which developed a revenue-generating power plant business line for the Group in May 2019 and the listing of Forever Opensource Software Inc. (stock code: 834415), which the Group has shareholding interests in, on the PRC's Selective Layer of the National Equities Exchange and Quotations in July 2020, thereby expanding the Group's business and enhancing Shareholder value.

Furthermore, the Board and the Remuneration Committee also considered the remuneration packages generally given to Eligible Participants of the Company, which comprise of base salary, bonus, welfare contributions and equity incentives. As of the Latest Practicable Date, the Connected Award Participants did not receive any share awards as part of their remuneration package in the Company nor any remuneration for their other positions in the Group.

In terms of quantitative assessment, the Board and the Remuneration Committee aims at ensuring that their respective total remuneration package will be competitive and in line with market rates, taking into account their respective contribution to the Group and other qualitative factors as discussed above. In addition, the Board and the Remuneration Committee

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also determined that half of the Connected Awarded Shares should be granted subject to payment of a grant fee in order to increase the Connected Award Participants' cohesiveness and alignment of interests with the Company and Shareholders, and the Grant Fee for this purpose was determined to be HK\$0.13 per Share, representing 80.5% of the average closing market price of the Shares for the five trading days immediately preceding the Grant Date. The Board and the Remuneration Committee selected five companies listed on the Shenzhen Stock Exchange, being companies operating in the same industry as the Group with the relevant roles recruited from the PRC talent market (the "**Comparable Companies**"), for the purpose of determining the market rates of remuneration packages for roles similar to the Connected Award Participants.

The particulars of the Comparable Companies and their respective remuneration for comparable positions, based on their latest publicly disclosed information, are as follows:

Comparable Companies	Place of listing	Comparable Positions	Years of service in Comparable Companies	Base	Share	Total Annual
				Salary and Bonus	Incentive	Remuneration
				<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Digital China Information Service Company Ltd. (Stock Code: 000555)	Shenzhen Stock Exchange	Senior Vice President Chief Financial Officer ("CFO")	18 years	1,861.2	1,453.8	3,315.0
			21 years	1,275.1	1,453.8	2,728.9
China Transinfo Technology Co., Ltd (Stock Code: 002373)	Shenzhen Stock Exchange	Vice General Manager; Director CFO; Vice General Manager	3 years	3,562.5	Nil	3,562.5
			12 years	412.5	Nil	412.5
Beijing Jiaxun Feihong Electrical Co., Ltd (Stock Code: 300213)	Shenzhen Stock Exchange	Vice General Manager CFO; Vice General Manager	6 years	819.7	282.6	1,102.3
			4 years	1,063.2	282.6	1,345.8
Henan Splendor Science & Technology Co., Ltd. (Stock Code: 002296)	Shenzhen Stock Exchange	Vice General Manager CFO	20 years	982.0	Nil ⁽¹⁾	982.0
			17 years	632.5	Nil ⁽¹⁾	632.5
Beijing Century Real Technology Co., Ltd (Stock Code: 300150)	Shenzhen Stock Exchange	Vice General Manager; Director CFO not listed	16 years	767.6	Nil	767.6
			N/A	N/A	N/A	N/A

Note:

(1) During the reporting period of the annual report of Henan Splendor Science & Technology Co., Ltd, none of the restricted shares granted to senior management were vested.

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Average annual remuneration (base salary, bonus and share incentive) of vice president/vice general managers of the Comparable Companies in their respective latest financial year

	<i>RMB</i>
Maximum	3,562,500
Minimum	767,600
Average	1,945,900

Average annual remuneration (base salary, bonus and share incentive) of chief financial officers of the Comparable Companies in their respective latest financial year

	<i>RMB</i>
Maximum	2,728,900
Minimum	412,500
Average	1,279,900

In assessing whether the Comparable Companies formed a fair, representative and exhaustive list of samples, we have conducted a thorough search on Bloomberg terminal for companies with the criteria of principal business in infrastructure software relating to railway business and listed on any stock exchanges in Hong Kong or the PRC. However, we were unable to identify any companies that are comparable to the Company and can be added to the Comparable Companies as set out in the table above. We are of the view that the Comparable Companies have been exhaustively identified and form a fair, representative and exhaustive list of sample for the purpose of drawing a meaningful comparison to the Company.

We noted that the Board and the Remuneration Committee generally employed the following methodology in determining the amount of Awarded Shares to grant to the Connected Award Participants. The Board and the Remuneration Committee:

- (1) determined a target annual remuneration for each of the Connected Award Participants, by reference to the Comparable Companies;
- (2) determined the difference between the target remuneration and the current remuneration package of each of the Connected Award Participants (“**Target Value**”);
- (3) determined a per Share price for the Awarded Shares (the “**Benchmark Share Price**”) for the purpose of calculating the number of Connected Awarded Shares to be granted and the Benchmark Share Price was determined to be HK\$0.16 per Share by reference to the closing price of the Shares at the Grant Date; and
- (4) determined a preliminary number (“**Preliminary Number**”) of Awarded Shares to vest in the relevant Connected Award Participant each year by reference to the Target Value, the Grant Fee and the Benchmark Share Price, such that the sum of (i)

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Benchmark Share Price multiplied by half of the Preliminary Number and (ii) Benchmark Share Price minus Grant Fee, multiplied by half of the Preliminary Number, will be equal to the Target Value; and

- (5) taking into account the total time period relevant to this grant and optimization of the effect of the incentives, determined the vesting period for each tranche and set the amount of Awarded Shares for each tranche by making appropriate adjustments to the Preliminary Number.

In the case of Mr. Luo, the target annual remuneration was determined to be RMB1.97 million, which is generally on par with the average of the total remuneration for the comparable position among the Comparable Companies. By reference to Mr. Luo's remuneration (without taking into account the grant of Connected Awarded Shares), the Target Value for Mr. Luo was RMB1.29 million. In the case of Mr. Mou, the target annual remuneration was determined to be RMB1.28 million, which is generally on par with the average of the total remuneration for the comparable positions among the Comparable Companies. By reference to Mr. Mou's remuneration (without taking into account the grant of Connected Awarded Shares), the Target Value for Mr. Mou was RMB430,000. Accordingly, the numbers of Connected Awarded Shares granted to Mr. Luo and Mr. Mou, respectively, were determined based on these parameters through the methodology described above.

Taking into account the Connected Awarded Shares, the annual remuneration of the Connected Award Participants will be within the respective ranges of total annual remuneration paid by the Comparable Companies, for comparable positions and will fall close to the average of such amounts. Given the qualitative and quantitative assessments conducted by the Remuneration Committee, the Board (upon the recommendation of the Remuneration Committee) is of the view that the grant of the Connected Awarded Shares to the Connected Award Participants on the terms as set out above is fair, reasonable and in line with market practice, such that it would recognize the Connected Award Participants' past and expected future contribution to the success and development of the Group.

The Board (upon the recommendation of the Remuneration Committee) considers that the award of the Connected Awarded Shares to the Connected Award Participants is intended to increase alignment between the interests of the Connected Award Participants and the long-term interests of the Shareholders, recognizes and motivates the contributions of the Connected Award Participants and to give incentives thereto in order to retain them for the continual operation and development of the Group, as well as recognizes their past and expected future contribution to the success and development of the Group. Furthermore, there will not be any cash outflow and cash can be preserved by the Group under the award of the Connected Awarded Shares to provide incentives to the Connected Award Participants. In this regard, the Directors consider that the terms and conditions of the Grant are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In assessing the fairness and reasonableness of the Grant, we are given to understand from the Management that they have considered, inter alia, (i) the historical contributions and job responsibilities of the Connected Award Participants; (ii) the continuing contributions to the Group's operation and development by the Connected Award Participants; (iii) the Grant is a

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fair representation of the Connected Award Participants' respective historical contributions to the Group with reference to their respective job responsibilities; (iv) the Grant is a sufficient motivation for continuing contributions to the Group; (v) the number of Connected Awarded Shares only comprises approximately 4.0% of the existing issued Shares; and (vi) there will not be any cash outflow and cash can be preserved by the Group to provide incentives to the Connected Award Participants. Furthermore, we have (i) discussed with the Management that it is crucial to provide attractive equity compensation to attract and retain high-caliber employees; (ii) reviewed the background of the Connected Award Participants and noted that they have extensive experience in different fields, including financial and marketing and have been serving with the Group for over ten years; and (iii) as disclosed in the section headed "**Principal terms of the grant of the Connected Awarded Shares**" below, found that it is not an uncommon practice to issue award shares to employees, senior management and/or directors to link their interests in line with the issuers.

We have also discussed with the Management regarding the benefits of the Grant under the 2021 Share Award Scheme as an incentive method. They have considered several methods of providing incentives to the Connected Award Participants, including but not limited to various alternative types of awards such as increase in salaries and cash bonus. After careful consideration in respect of the impact on the cashflow of the Group, the dilution effect on the existing issued shares and the current remuneration package of the Connected Award Participants, the Directors consider that the 2021 Share Award Scheme to be the most appropriate given that, as opposed to the other alternatives, the 2021 Share Award Scheme will enable the Company to prevent cash outflow while incentivize and reward the Connected Award Participants in order to retain them for their continual contributions to the operation and development of the Group. In addition, the economic benefits of the 2021 Share Award Scheme are dependent on the improvement in the market price of the Shares and hence the interests of the Connected Award Participants will be in line with the Shareholders as a whole. The Directors are thus of the view that the 2021 Share Award Scheme will align the interests of the Connected Award Participants with the Company and the Shareholders as a whole.

In view of the foregoing reasons for and possible benefits of the Grant, we concur with the Directors that, although the Grant is not in the ordinary and usual course of business of the Group, it is incidental to the Group's development of its ordinary and usual course of business and the Grant is in the interests of the Company and the Shareholders as a whole.

5. Conditions precedent

The Grant under the 2021 Share Award Scheme shall be subject to:

- (i) the approval by the Independent Shareholders at the EGM in respect of the grant, allotment and issue of the Connected Awarded Shares, the Specific Mandate and the transactions contemplated thereunder pursuant to the terms of the 2021 Share Award Scheme and the grant letters issued by the Company to the Connected Award Participants, namely Mr. Luo and Mr. Mou (the "**Grant Letters**"); and
- (ii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in the Connected Awarded Shares.

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6. Principal terms of the grant of the Connected Awarded Shares

The Connected Awarded Shares shall be vested in three tranches in accordance with the Vesting Schedule, or such earlier date as may be determined by the Board, provided that the vesting date for the first, second and third tranche of the Awarded Shares shall not be earlier than 1 January 2022, 1 January 2023 and 1 January 2024. Principal terms of the Grant are set out below:

Names of Connected Award Participants	Vesting dates and number of Connected Awarded Shares to be vested in			Grant Fee
	First tranche	Second tranche	Third tranche	
	30 June 2022	30 June 2023	28 June 2024	
Mr. Luo	8,187,423 8,187,423	8,187,423 8,187,423	8,435,527 8,435,527	Nil HK\$0.13 per Awarded Share (or RMB equivalent), representing approximately 80.5% of the average closing market price of the Shares for the five trading days immediately preceding the Grant Date
Sub-total	16,374,846	16,374,846	16,871,054	
Mr. Mou	2,729,141 2,729,141	2,729,141 2,729,141	2,811,842 2,811,842	Nil HK\$0.13 per Awarded Share (or RMB equivalent), representing approximately 80.5% of the average closing market price of the Shares for the five trading days immediately preceding the Grant Date
Sub-total	5,458,282	5,458,282	5,623,684	
Total Connected Awarded Shares	21,833,128	21,833,128	22,494,738	

Each tranche of the Connected Awarded Shares will be allotted and issued to the Trustee prior to vesting of such tranche of Connected Awarded Shares to enable the Trustee to transfer such Connected Awarded Shares to the relevant grantee upon vesting. The Company currently expects that no Connected Awarded Shares would be allotted and issued to the Trustee prior to 31 December 2021.

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Subject to the satisfaction of the vesting criteria and conditions of the 2021 Share Award Scheme, the Connected Awarded Shares shall be transferred to the Connected Award Participants upon expiry of the following Vesting Schedule: (i) 33% vesting on 30 June 2022; (ii) 33% vesting on 30 June 2023; and (iii) 34% vesting on 28 June 2024. The vesting of the Awarded Shares is subject to the conditions as set out in the 2021 Share Award Scheme and the following vesting conditions as specified by the Board in the relevant Grant Letters:

1. the Selected Participant remain as an Eligible Participant on and before the relevant vesting date in accordance with the Vesting Schedule;
2. the Selected Participant achieved his/her respective performance target(s) as specified in the relevant Grant Letters;
3. with respect to half of the Awarded Shares to be vested in each tranche, the Selected Participant has duly paid the Grant Fee to the Group (if applicable); and
4. the Selected Participant has completed the relevant filings and obtained the necessary approvals in respect of the transfer of the Awarded Shares by the Trustee to himself/herself (if required).

For the avoidance of doubt, the Awarded Shares which do not require payment of Grant Fee will vest in the relevant grantees on the relevant vesting date(s) independent of the vesting of Awards Shares which requires Grant Fee, provided that the relevant vesting conditions (if any) are satisfied, whether or not any Grant Fee is paid for any Award Shares in the same tranche the vesting of which requires Grant Fee.

We understand from the Management that, in accordance with the Company's remuneration policy, the remuneration packages of the Connected Award Participants comprise, where applicable, a fixed remuneration in the form of a monthly salary and, subject to the performance of the relevant individuals, discretionary performance-related bonus each year as a short-term incentive. As such, the Management consider that it is insufficient to motivate and incentivize the Connected Award Participants.

As provided under the Grant Letters to the Connected Award Participants, (i) the vesting of the first tranche of 33% of the Connected Awarded Shares on 30 June 2022 is not subject to any performance targets; and (ii) the vesting of the second tranche of 33% of the Connected Awarded Shares on 30 June 2023 and the third tranche of 34% of the Connected Awarded Shares on 28 June 2024 respectively are conditional upon the personal level performance targets as set out below being satisfied.

The personal level performance target is assessed based on three areas of work-related performance, namely attitude, capability and performance targets specific to the Connected Award Participants' role and responsibility, with maximum scores of 15, 15 and 70 respectively, with an aggregate maximum score of 100. The attributes of the personal level performance target relate to the business performance in terms of value, quality and efficiency. As the personal level performance target will motivate and incentivize the Connected Award Participants to make contributions to the operation and development of the Group, the Board

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considers that the attributes could achieve the purpose of the 2021 Share Award Scheme. The vesting of the second tranche and third tranche of the Connected Awarded Shares in respect of the relevant Vesting Schedule will be as follows:

Overall score of the personal Level performance target	Percentage of the second tranche and third tranche of the Awarded Shares to be vested
Less than 60	Nil
Equal to or greater than 60 but less than 75	60
Equal to or greater than 75 but less than 85	80
Equal to or greater than 85	100

If the overall score of the personal level performance target of a Connected Award Participant is below 85 in the previous year before vesting of the second tranche and third tranches, the relevant Connected Awarded Shares that do not vest in accordance with the vesting conditions under the Grant Letter and the table above shall automatically lapse forthwith and such number of the Connected Awarded Shares will be retained by the Trustee in the Trust for future distribution to other Selected Participants.

In this connection, we understand that the Management is developing a template of the appraisal form for performance assessment for use under the 2021 Share Award Scheme to assess the performance of the Selected Participants, including the Connected Award Participants. We note that the areas of performance assessment under consideration will be specifically applicable to the Selected Participants including personal attitudes, business and operation related performance targets, to which a score will be given to each area of assessment.

Based on our discussion with the Management, we note that the purpose of setting out personal attitudes, business and operation related performance targets as part of the personal level performance assessment, with reference to the job responsibilities of the subject individual, are to provide an objective mean to evaluate the contributions of the Selected Participants (including the Connected Award Participants). Furthermore, vesting of the Connected Awarded Shares under the second tranche and third tranche is conditional upon certain personal level performance targets as set out above has been satisfied, this would provide reward for past performance and contributions as well as motivate and incentivize for future contributions with a view to retain the Connected Award Participants for the continual operation and development of the Group and this is in line with the Company's business plan. Therefore, we are of the view that the use of personal attitude and performance targets as a vesting condition of the Connected Awarded Shares can achieve the purpose of the 2021 Share Award Scheme. This will allow the Group to attract and retain talents for its continual operation and development.

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With a view to assess the fairness and reasonableness of the terms of the Grant, we have reviewed announcements of companies listed on the Main Board of the Stock Exchange for a six month period immediately prior to the date of the Announcement, being 8 May 2021 to 8 November 2021 (the “**Review Period**”), whereby shares of the relevant subject listed companies were granted to their connected person(s), such as member(s) of the board and/or director(s) at its subsidiary level (the “**Criteria**”). It is noted that such identified share awards granted to connected person(s) may be carried out at the same time as share awards to non-connected person(s) under certain Comparable Grants (defined hereafter), such as senior management and other employees, under their respective share award schemes. Based on the Criteria, we have identified a list of 32 grants of share award (the “**Comparable Grants**”). Shareholders should note that the business nature and scales, operations, financial performance and positions, prospects and market capitalizations of the companies offering the Comparable Grants are not the same as the Company and we have not conducted any in-depth investigation into the businesses and operations of the companies offering the Comparable Grants. However, we considered that the Comparable Grants could provide the Independent Shareholders with a general reference of companies listed on the Main Board of the Stock Exchange granting award shares and the length of the vesting schedules. The list of the Comparable Grants is an exhaustive list and we are of the opinion that the list covering six months is adequate, fair, sufficient and representative for the purpose of our analysis to illustrate the recent trend and terms in the open market and common market practice of grant of award shares and therefore, form an appropriate basis in assessing the fairness and reasonableness of the terms of the Grant. Set out below is a list of the Comparable Grants with the relevant details:

Company Name (Stock Code)	Date of announcement	Number of grantee(s) (including number of connected persons)	Percentage of total/maximum number of awarded shares/ restricted awarded shares to total number of shares in issue on the date of the announcement (approximate)	Percentage of total/maximum number of awarded shares to connected person(s) to total number of shares in issue on the date of the announcement (approximate)	Consideration	Vesting schedule (applicable to connected persons)
Beijing Enterprises Water Group Limited (371)	1 November 2021	292 grantees, including 3 connected persons	0.12%	0.01%	Nil	12-month period from the first anniversary date of the reference date (1 November 2021)
Concord New Energy Group Limited (182)	15 October 2021	37 grantees, including 15 connected persons	0.70%	0.38%	Nil	25% on 15 February 2022; 25% on 15 February 2023; 25% on 15 February 2024; and 25% on 15 February 2025; (or in the event that any aforesaid date is not a business day, the first business day thereafter)
Yidu Tech Inc. (2158)	3 October 2021	3 grantees, who are connected persons	0.03%	0.03%	Nil	Between 1 April 2022 and 1 April 2025

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Company Name (Stock Code)	Date of announcement	Number of grantee(s) (including number of connected persons)	Percentage of total/maximum number of awarded shares/ restricted awarded shares to total number of shares in issue on the date of the announcement (approximate)	Percentage of total/maximum number of awarded shares to connected person(s) to total number of shares in issue on the date of the announcement (approximate)	Consideration	Vesting schedule (applicable to connected persons)
Homeland Interactive Technology Ltd. (3798)	30 September 2021	58 grantees, including 6 connected persons	2.18%	0.48%	Nil	40% on 30 April 2022; 30% on 30 April 2023; and 30% on 30 April 2024
Sisram Medical Ltd (1696)	9 September 2021	No disclosed, but including 4 connected persons	0.86%	0.28%	Not disclosed	Not disclosed
Manpowergroup Greater China Limited (2180)	9 September 2021	7 grantees, who are connected persons	0.04%	0.19%	Nil	Vest on 9 September 2024
Sany Heavy Equipment International Holdings Company Limited (631)	2 September 2021	703 grantees, including 3 connected persons	0.25%	0.02%	Nil	20% on 18 March 2022; 20% on 18 March 2023; 20% on 18 March 2024; 20% on 18 March 2025; and 20% on 18 March 2026
Simcere Pharmaceutical Group Limited (2096)	27 August 2021	14 grantees, who are connected persons	0.33%	0.33%	Nil	One-third on 27 August 2022; one-third on 27 August 2023; and one-third on 27 August 2024
IGG Inc (799)	19 August 2021	619 grantees, including 10 connected persons	1.05%	0.08%	Nil	50% on 19 August 2022; and 50% on 19 August 2023
HKBN Ltd. (1310)	19 August 2021	About 2,100, including 12 connected person	2.82%	0.74%	Nil	One year from the date of publication of the company's annual results for 2024 financial year
Zero2IPO Holdings Inc. (1945)	6 August 2021	32 grantees, including 3 connected persons	2.94%	1.16%	Nil	No vesting period
Goldstream Investment Limited (1328)	26 July 2021	2 grantees, who are connected persons	2.95%	2.95%	Nil or HK\$0.0345 per award share (Note 1)	From 3 tranches (between 21 September 2020 and 31 December 2022) to 5 tranches (between 21 September 2020 and 31 December 2024)
KWG Living Group Holdings Limited (3913)	23 July 2021	16 grantees, including 5 connected persons	0.07%	0.03%	Nil	25% on 15 April 2022; 25% on 15 April 2023; and 50% on 15 April 2024
Everest Medicines Limited (1952)	15 July 2021	11 grantees, including 9 connected persons	0.69%	0.61%	Nil	Not disclosed

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Company Name (Stock Code)	Date of announcement	Number of grantee(s) (including number of connected persons)	Percentage of total/maximum number of awarded shares/ restricted awarded shares to total number of shares in issue on the date of the announcement (approximate)	Percentage of total/maximum number of awarded shares to connected person(s) to total number of shares in issue on the date of the announcement (approximate)	Consideration	Vesting schedule (applicable to connected persons)
Ascentage Pharma Group International (6855)	14 July 2021	3 grantees, who are connected persons	0.01%	0.01%	Nil	25% on 8 June 2022; 25% on 8 June 2023; 25% on 8 June 2024; and 25% on 8 June 2025
Kingmaker Footwear Holdings Limited (1170)	5 July 2021	29 grantees, including 7 connected persons	0.42%	0.16%	Nil	50% on 5 July 2021; and 50% on 1 January 2022
Ocumension Therapeutics (1477)	2 July 2021	2 grantees, who are connected persons	2.08%	2.08%	Nil	For grantee 1: 25% on 2 July 2022; 25% in 4 equal installments between 2 July 2022 and 2 July 2023; 25% in 4 equal installments between 2 July 2023 and 2 July 2024; and 25% in 4 equal installments between 2 July 2024 and 2 July 2025 For grantee 2: 10% on 2 July 2022; 20% in 4 equal installments between 2 July 2022 and 2 July 2023; 30% in 4 equal installments between 2 July 2023 and 2 July 2024; and 40% in 4 equal installments between 2 July 2024 and 2 July 2025
Shangri-La Asia Limited (69)	2 July 2021	124 grantees, including 2 connected persons	0.17%	0.01%	Nil	33.16% on 7 June 2022; 33.16% on 7 June 2023; and 33.68% on 7 June 2024
C&D Property Management Group Co., Ltd (2156)	1 July 2021	195 grantees, including 30 connected persons	2.40%	0.62%	HK\$2.41 per award share (Note 2)	Subject to lock-up arrangements of up to 5 years from the grant date
Fourace Industries Group Holdings Limited (1455)	28 June 2021	26 grantees, including 2 connected persons	2.29%	0.61%	Nil	No vesting period but subject to lock-up undertaking for 3 years after the date of issue of the award shares
Galaxy Entertainment Group Limited (0027)	17 June 2021	No disclosed, but including 5 connected persons	0.04%	0.01%	Nil	One-third on 17 June 2022; one-third on 17 June 2023; and one-third on 17 June 2024
Alibaba Pictures Group Limited (1060)	16 June 2021	413 grantees, including 3 connected persons	0.54%	0.02%	Nil	Not disclosed

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Company Name (Stock Code)	Date of announcement	Number of grantee(s) (including number of connected persons)	Percentage of total/maximum number of awarded shares/ restricted awarded shares to total number of shares in issue on the date of the announcement (approximate)	Percentage of total/maximum number of awarded shares to connected person(s) to total number of shares in issue on the date of the announcement (approximate)	Consideration	Vesting schedule (applicable to connected persons)
YTO Express (International) Holdings Limited (6123)	10 June 2021	20 grantees, including 5 connected persons	4.55%	3.06%	HK\$2.37 per award share (Note 3)	25% on each of the business day immediately after the 30th day of the date of publication of the annual results announcement for the years ending 31 December 2021, 2022, 2023 and 2024, respectively
Manpowergroup Greater China Limited (2180)	10 June 2021	35 grantees, including 7 connected persons	0.38%	0.19%	Nil	Vested on the date falling 36 months from the date of grant
Genscript Biotech Corporation (1548)	1 June 2021	Not disclosed, but there were 3 connected persons	0.32%	0.02%	Nil	For 1 grantee on or before 31 May 2023; and for 2 grantees on or before 31 May 2026
Semiconductor Manufacturing International Corporation (981)	31 May 2021	14 grantees, who are connected persons	0.02%	0.02%	Nil	On 1 January 2022; over a period of 4 years at the rate of 25%, 25%, 25% and 25% for each 12-month period commencing on 1 March 2021; or over a period of 3 years at the rate of 33%, 33% and 34% for each 12-month period commencing on 13 May 2021
AsiaInfo Technologies Limited (1675)	26 May 2021	Not disclosed, but there was 1 connected person	1.66%	0.53%	Nil	Between 26 May 2022 and 26 May 2024
IGG INC (799)	21 May 2021	12 grantees, including 9 connected persons	6.00%	5.82%	Nil	20% for each financial year ending 31 December 2021, 2022, 2023, 2024 and 2025
Ascentage Pharma Group International (6855)	21 May 2021	34 grantees, including 2 connected persons	0.18%	0.03%	Nil	25% or 35% on 8 June 2022; 25% or 15% on 8 June 2023; 25% on 8 June 2024; and 25% on 8 June 2025
Haidilou International Holding Ltd. (6862)	20 May 2021	Over 1,500 grantees, including 17 connected persons	3.00%	0.30%	Nil	Ten years from 20 May 2021

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Company Name (Stock Code)	Date of announcement	Number of grantee(s) (including number of connected persons)	Percentage of total/maximum number of awarded shares/ restricted awarded shares to total number of shares in issue on the date of the announcement (approximate)	Percentage of total/maximum number of awarded shares to connected person(s) to total number of shares in issue on the date of the announcement (approximate)	Consideration	Vesting schedule (applicable to connected persons)
TCL Electronics Holdings Limited (1070)	19 May 2021	226 grantees, including 32 connected persons	4.64%	2.62%	Nil	40% on 20 June 2022; 30% on 20 June 2023; and 30% on 20 June 2024; or 40% on 20 June 2023; 30% on 20 June 2024; and 30% on 20 June 2025
Shinelong Automotive Lightweight Application Limited (1930)	18 May 2021	24 grantees, including 4 connected persons	1.40%	0.36%	HK\$0.20 per award share (Note 4)	30% on 18 November 2021; 30% on 18 November 2022; and 40% on 18 November 2023
		Maximum	6.00%	5.82%		
		Minimum	0.01%	0.01%		
		Average	1.41%	0.74%		
The Company		2 Connected Award Participants	4.00%	4.00%	HK\$0.13 per Connected Awarded Share	33% on 30 June 2022; 33% on 30 June 2023; and 34% on 28 June 2024

Notes:

1. *The grant fee of HK\$0.0345 per award share represented (i) a discount of approximately 60.3% to the closing price of the shares as at the date of the announcement of the grant of award shares as quoted on the Stock Exchange of HK\$0.0870 per share, and (ii) a discount of approximately 60.9% to the average closing price of the shares for the five consecutive trading days immediately preceding the date of the announcement of the grant of award shares as quoted on the Stock Exchange of approximately HK\$0.0882 per share.*
2. *The grant fee of HK\$2.41 per award share represented (i) a discount of approximately 52.7% to the closing price of the shares as at the date of the announcement of the grant of award shares as quoted on the Stock Exchange of HK\$5.10 per share, and (ii) a discount of approximately 48.2% to the average closing price of the shares for the five consecutive trading days immediately preceding the date of the announcement of the grant of award shares as quoted on the Stock Exchange of approximately HK\$4.65 per share.*
3. *The grant fee of HK\$2.37 per award share represented (i) a discount of approximately 49.9% to the closing price of the shares as at the date of the announcement of the grant of award shares as quoted on the Stock Exchange of HK\$4.73 per share, and (ii) a discount of approximately 50.4% to the average closing price of the shares for the five consecutive trading days immediately preceding the date of the announcement of the grant of award shares as quoted on the Stock Exchange of approximately HK\$4.78 per share.*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. *The grant fee of HK\$0.20 per award share represented (i) a discount of approximately 50.6% to the closing price of the shares as at the date of the announcement of the grant of award shares as quoted on the Stock Exchange of HK\$0.405 per share, and (ii) a discount of approximately 49.2% to the average closing price of the shares for the five consecutive trading days immediately preceding the date of the announcement of the grant of award shares as quoted on the Stock Exchange of approximately HK\$0.394 per share.*

As shown from the table above, we noted that the vesting date/period of the Comparable Grants ranged from immediate vesting to up to around five years after the date of grant. As set out in the Board Letter, the Connected Awarded Shares shall be vested as to (i) 33% vesting on 30 June 2022; (ii) 33% vesting on 30 June 2023; and (iii) 34% vesting on 28 June 2024, subject to the fulfilment of certain conditions, which is within range of the vesting schedule of the Comparable Grants. Given the vesting of the Connected Awarded Shares is subject to the fulfilment of certain conditions and to take place over a number of financial years, this would provide incentives for the Connected Award Participants to continue their contributions towards the operation and development of the Group.

In addition, we noted that (i) the number of award shares of the Comparable Grants granted to the grantees ranged between approximately 0.01% and 6.00% of the total number of shares in issue of the respective companies as at the date of relevant announcements; and (ii) the number of award shares of the Comparable Grants granted to the grantees who were connected persons ranged between approximately 0.01% and 5.82% of the total number of shares in issue of the respective companies as at the date of the relevant announcements. The Connected Awarded Shares represent approximately 4.0% of the total number of Shares in issue as at the Grant Date, this is within the respective ranges of the Comparable Grants.

In connection with the Grant Fee, we have considered the discount of the Grant Fee to the closing price of the Shares of HK\$0.160 per Share as at the Grant Date (or the date of the announcement of the Grant) and the average closing price of the Shares of HK\$0.164 per Share for the five consecutive trading days immediately preceding the Grant Date (or the date of the announcement of the Grant), which are approximately 18.75% and 20.73% respectively. We note that other than two Comparable Grants, all the other Comparable Grants did not have grant fee. The grant fees of the two cases of Comparable Grants, which had grant fees, represented (i) discounts of approximately 49.9% and 60.3% to their respective closing price as at the date of the relevant announcement of the award shares of the subject companies and (ii) discounts of approximately 48.2% and 60.9% to the respective average closing price of the shares for the five consecutive trading days immediately preceding the date of the relevant announcement of the award shares of the subject companies. On this basis, we are of the view that the Grant Fee, which is at a lower discount to the two Comparable Grants which had grant fee and is favourable than those Comparable Grants which had no grant fee, is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. As such, having considered (i) the Vesting Schedule is in line with the vesting schedule of the Comparable Grants; (ii) the number of the Connected Awarded Shares to the total number of issued Shares is within the range of the relevant Comparable Grants; and (iii) the discounts of the Grant fee to the closing price of the Shares as at the Grant Date and the average closing price of the Shares for the five consecutive trading days immediately preceding the Grant Date is favourable than the Comparable Grants, we are of the view that the Vesting Schedule, the number of the Connected Awarded Shares and the Grant Fee are fair and reasonable and in line with general market practice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7. Market price of the Connected Awarded Shares

Based on the closing price of HK\$0.160 per Share as quoted on the Stock Exchange as at 8 November 2021, being the date of the Announcement, and the closing price of HK\$0.170 per Share as quoted on the Stock Exchange as at the Latest Practicable Date, the aggregate market value of the Connected Awarded Shares was approximately HK\$10,585,759 and HK\$11,247,369, respectively.

8. Potential dilution effects on the existing public Shareholders

For illustration purposes only, the table below, which has been extracted from the Board Letter, sets out the shareholding structure of the Company immediately after the allotment, issue and full vesting of the Connected Awarded Shares (assuming no other actual or potential change in the issued share capital of the Company other than the allotment, issue and full vesting of the Connected Awarded Shares):

Name of Shareholder	As at the Latest Practicable Date		Immediately after the allotment, issue and full vesting of the Connected Awarded Shares (assuming no other actual or potential change in the issued share capital of the Company)	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Controlling Shareholder Group	645,912,777	39.05%	645,912,777	37.55%
Sub-total	645,912,777	39.05%	645,912,777	37.55%
Connected Award Participants				
Mr. Luo	Nil	Nil	49,620,746	2.88%
Mr. Mou (Note 1)	630,000	0.04%	17,170,248	1.00%
Sub-total	630,000	0.04%	66,790,994	3.88%
Other public Shareholders	<u>1,007,482,091</u>	<u>60.91%</u>	<u>1,007,482,091</u>	<u>58.57%</u>
Total	<u>1,654,024,868</u>	<u>100%</u>	<u>1,720,185,862</u>	<u>100%</u>

Note:

1. As at the Latest Practicable Date, Mr. Mou directly holds 630,000 Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account the reasons for and benefits of the Grant as set out under the section headed “Reasons for and benefits of the Grant” in this Letter, in particular, the Grant would enable the Group to retain, motivate and incentivize key members of the management for the continual operation and development of the Group as well as to align their interests with that of the Company and the Shareholders as a whole, and there will not be any cash outflow and cash can be preserved by the Group for the Grant, we concur with the Management that the dilution effect to the Independent Shareholders in the event that the Connected Awarded Shares are satisfied by the issue of new Shares is fair and reasonable.

9. Possible financial effects arising from the Grant

After the Grant, the value of the Grant would be allocated and charged as expenses of the Group for the relevant financial years during the Vesting Schedule. Other than the Grant Fee of approximately HK\$4,300,465, no fund will be raised as a result of the issue and allotment of the Connected Awarded Shares.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that although the Grant is not in the ordinary and usual course of business of the Group, it is incidental to the Group’s development of its ordinary and usual course of business. We are of the view that the terms of the Grant are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Grant is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the grant, allotment and issue of Connected Awarded Shares under the Specific Mandate.

Yours faithfully,
for and on behalf of
FIRST CAPITAL
INTERNATIONAL FINANCE LIMITED
Larry Chan **Keith Ho**
Managing Director *Vice President*

Mr. Larry Chan and Mr. Keith Ho are licensed persons registered with the Securities and Futures Commission and as responsible officers of First Capital to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and have over 28 years and over 5 years of experience in corporate finance industry respectively.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company 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 document 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 document misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"):

Name of Director	Nature of interest	Securities ⁽³⁾	Approximate percentage of shareholdings as at Latest Practicable Date ⁽³⁾
Mr. Liao Jie ⁽¹⁾	Beneficial owner/Interest of a controlled corporation	146,494,077(L)	8.86%(L)
Mr. Jiang Hailin ⁽²⁾	Beneficial owner/Beneficiary of the Fino Trust	647,768,625(L)	39.16%(L)

Notes:

- (1) 40,735,874 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Liao Jie on 18 January 2012 under the Share Option Scheme. Mr. Liao Jie is also deemed to be interested in the 105,758,203 Shares held by Joyful Business Holdings Limited, which is wholly-owned by Mr. Liao Jie.
- (2) 1,855,848 of these Shares are underlying Shares subject to the exercise of share options granted to Mr. Jiang Hailin on 18 January 2012 under the Share Option Scheme. Mr. Jiang Hailin was also interested in all the Shares in which Fino Trust was interested as a beneficiary of Fino Trust. As the beneficial owner of Fino Investments Limited, Fino Trust is deemed to be interested in all the Shares in which Fino Investments Limited is interested. Mr. Jiang Hailin beneficially and directly owns 18,853,876 Shares, which are part of the 645,912,777 Shares in which Fino Trust is deemed to be interested.
- (3) (L) denotes long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the persons or corporations (other than Director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Long position/ Short position	Number of Shares	Percentage to Company's issued share capital
Holdco ⁽¹⁾	Beneficial owner	Long position	645,912,777	39.05%
Best Partners Development Limited ⁽²⁾	Interest of controlled corporation	Long position	645,912,777	39.05%
Fino Investments Limited ⁽³⁾	Interest of controlled corporation	Long position	645,912,777	39.05%
Tesco Investments Limited ⁽⁴⁾	Interest of controlled corporation	Long position	645,912,777	39.05%
Credit Suisse Trust Limited ⁽³⁾⁽⁴⁾	Trustee	Long Position	645,912,777	39.05%
Central Huijin Investment Ltd.	Security interest	Long position	215,000,000	12.99%
China Construction Bank Corporation	Security interest	Long position	215,000,000	12.99%
Joyful Business Holdings Limited ⁽⁵⁾	Beneficial owner	Long Position	105,758,203	6.39%
Penbay Investments Limited ⁽⁶⁾	Beneficial owner	Long position	98,613,367	5.96%
Chen Qi ⁽⁶⁾	Interest of controlled corporation	Long position	98,613,367	5.96%

Notes:

- (1) As disclosed in the prospectus of the Company dated June 30, 2010, to facilitate the management and operation of the Company, certain major shareholders of the Company have entered into voting agreements delegating their voting rights in the Company to Holdco prior to the listing of the Company, and Holdco has been a controlling shareholder (as defined under the Listing Rules) of the Company since the listing of the Company in 2010. In connection with this arrangement and as a result of previous restructuring exercises of the Group, as at the Latest Practicable Date, Holdco, Pride Spirit Company Limited, Sea Best Investments Limited, Joy Bright Success Limited, Gouver Investments Limited, Kang Yang Holdings Limited, Huaxin Investments Limited, Rockyjing Investment Limited, Key Trade Holdings Limited, Best Partners Development Limited, Joyful Business Holdings Limited, Mr. Liao Jie, Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Jiang Hailin, Mr. Wang Jing, Mr. Liang Shiping, Ms. Wu Chunhong, Mr. Zhao Lisen, Mr. Zhang Qian, Mr. Guan Xiong, Mr. Zheng Hui, Mr. Lv Xilin, Ms. Wang Li, Mr. Dang Kulun, Mr. Pan Jianguo and Mr. Jing Yang, were parties to a series of shareholders voting agreements (the "**Shareholders Voting Agreements**"), pursuant to which each of the parties (other than Holdco) to the Shareholder Voting Agreements has authorised Holdco to exercise their voting rights in the Company on their behalves.

As at the Latest Practicable Date, Holdco is entitled to exercise or control the exercise of the voting rights of a total of 645,912,777 Shares, representing the aggregate number of Shares held by all of the parties to the Shareholder Voting Agreements. Holdco is wholly owned by Best Partners Development Limited. Two of our Directors Mr. Jiang Hailin and Mr. Liao Jie are also directors of Holdco.

- (2) The issued share capital of Best Partners is held as to 91.2015% by Fino Investments Limited and as to 8.7985% by Tesco Investments Limited. By virtue of the Shareholder Voting Agreements, Best Partners is deemed to be controlled by Fino Investments Limited and Tesco Investments Limited. Our Director, Mr. Liao Jie, is also a director of Best Partners.
- (3) Fino Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Fino Trust, namely Mr. Liao Daoxun, Ms. Wu Yurui, Mr. Liang Shiping, Mr. Jiang Hailin, Ms. Wu Chunhong. The Fino Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (4) Tesco Investments Limited is owned as to 50% by Serangoon Limited and as to 50% by Seletar Limited, as nominees and trustees for Credit Suisse Trust Limited, which is the trustee holding such interest on trust for the beneficiaries of Tesco Trust, namely Mr. Wang Jing, Mr. Zhang Qian, Mr. Guan Xiong, Mr. Zheng Hui and Ms. Wang Li. The Tesco Trust is an irrevocable discretionary trust established under the laws and regulations of Singapore.
- (5) Joyful Business Holdings Limited is wholly-owned by Mr. Liao Jie. Mr. Liao Jie is the sole director of Joyful Business.
- (6) Penbay Investments Limited is controlled by Mr. Chen Qi and therefore Mr. Chen Qi is deemed to be interested in the 98,613,367 shares of the Company beneficially owned by Penbay Investments Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. FURTHER INFORMATION CONCERNING DIRECTORS

(a) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group (excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation)).

(b) Directors' interest in competing business

As at the Latest Practicable Date, none of the Directors or their respective associate is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business.

(c) Directors interests in assets

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of or leased to any member of the Group or proposed to be so acquired, disposed of or leased since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

(d) Directors interests in contracts

There is no other contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading prospects of the Company since 31 December 2020, the date to which the latest audited financial statements of the Company were made up.

5. EXPERT — INDEPENDENT FINANCIAL ADVISER

The following is the qualifications of the Independent Financial Adviser who had given opinion or advice which is contained in this circular:

Name	Qualifications
First Capital International Finance Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

First Capital International Finance Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report(s), letter(s) or opinion(s) (as the case may be) and references to its name or its report(s), letter(s) or opinion(s) (as the case may be) included in this circular in the form and context in which they respectively appear.

As at the Latest Practicable Date, First Capital International Finance Limited:

- (i) was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (ii) did not have any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. TRUSTEE

The Trustee, Futu Trustee Limited, is a company incorporated in Hong Kong with limited liability on 28 August 2017, whose registered office is at 5th Floor, Bangkok Bank Building, 14–20 Bonham Strand West, Sheung Wan, Hong Kong. The Trustee is a licensed trust and company service provider (licence no. TC006475) under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) and a registered trust company under the Trustee Ordinance (Cap. 29).

7. GENERAL

- (a) The registered office, the headquarters and principal place of business in the Cayman Islands of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at 8/F., Golden Star Building 20–24 Lockhart Road, Wanchai, Hong Kong.
- (c) The Company's Hong Kong branch share registrar and transfer office is Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (d) The company secretary of the Company is Mr. Leung Ming Shu who is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and a Fellow Member of the Hong Kong Institute of Certified Public Accountants (FCPA).
- (e) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text for the purpose of interpretation.

8. DOCUMENTS ON DISPLAY

Copies of the below documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.its.cn) for a period of 14 days from the date of this circular:

- (a) this circular;
- (b) the 2021 Share Award Scheme;
- (c) the letter from the Board, the text of which is set out on pages 4 to 18 of this circular;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 19 to 20 of this circular;
- (e) the letter of advice from First Capital International Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 21 to 45 of this circular.



China ITS (Holdings) Co., Ltd.
中国智能交通系统(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1900)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of China ITS (Holdings) Co., Ltd. (the “**Company**”) will be held at Room V1, 6/F, Building 204, No. A10, Jiuxianqiao North Road, Chaoyang District, Beijing, PRC on Wednesday, 15 December 2021 at 1:30 p.m., for the purpose of considering and, if thought fit, to pass with or without amendments the following ordinary resolution (the “**Resolution**”):

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the grant of a specific mandate to the directors of the Company to exercise all powers of the Company to allot and issue an aggregate of up to 49,620,746 new shares (the “**Luo Grant**”) to Futu Trustee Limited (the “**Trustee**”) as trustee for the benefit of Mr. Luo Haibin pursuant to the share award scheme adopted by the Company on 16 September 2021 (the “**2021 Share Award Scheme**”), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the grant, allotment and issue of the Luo Grant pursuant to the 2021 Share Award Scheme and the grant letter issued by the Company to Mr. Luo Haibin, subject to the terms and conditions of the 2021 Share Award Scheme and the said grant letter, be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the directors be and is/are hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the grant, allotment and issue of the Luo Grant under the specific mandate granted pursuant to resolution 1(a) and any other transactions contemplated thereunder.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “THAT

- (a) the grant of a specific mandate to the directors of the Company to exercise all powers of the Company to allot and issue an aggregate of up to 16,540,248 new shares (the “**Mou Grant**”) to the Trustee as trustee for the benefit of Mr. Mou Yi pursuant to the 2021 Share Award Scheme and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the grant, allotment and issue of the Mou Grant pursuant to the 2021 Share Award Scheme and the grant letter issued by the Company to Mr. Mou Yi, subject to the terms and conditions of the 2021 Share Award Scheme and the said grant letter, be and are hereby approved, confirmed and ratified; and
- (c) any one or more of the directors be and is/are hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the grant, allotment and issue of the Mou Grant under the specific mandate granted pursuant to resolution 2(a) and any other transactions contemplated thereunder.”

By order of the Board
China ITS (Holdings) Co., Ltd.
Mr. Liao Jie
Chairman

Beijing, 29 November 2021

Registered office:

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

Principal place of business in Hong Kong:

8/F., Golden Star Building
20–24 Lockhart Road
Wan Chai
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company. All proxies, together with powers of attorney or other authorities, if any, under which they are signed or notarially certified copies thereof, must be deposited with the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjournment thereof should she/he so wishes.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (2) Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the other in which the names of the joint holders stand on the register of the relevant joint holding.
- (3) The completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
- (4) In order to qualify for attending and voting at the EGM, all transfers of Share accompanied by the relevant share certificate must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-4, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Thursday, 9 December 2021.
- (5) Shareholders who have a material interest in the grant, allotment and issue of the Connected Awarded Shares (as defined in the Circular) and their respective associates are required to abstain from voting on the Resolution at the EGM.

As at the date of this notice, the executive Directors are Mr. Liao Jie, and Mr. Jiang Hailin, and the independent non-executive Directors are Mr. Ye Zhou, Mr. Wang Dong and Mr. Zhou Jianmin.