Gram Capital Limited
嘉林資本有限公司

30 November 2020

To: The independent board committee of CIMC-TianDa Holdings Company Limited

Dear Sirs,

(1) PROPOSAL FOR THE PRIVATISATION OF CIMC-TIANDA HOLDINGS COMPANY LIMITED BY THE JOINT OFFERORS BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES LAW); (2) PROPOSED WITHDRAWAL OF LISTING OF CIMC-TIANDA HOLDINGS COMPANY LIMITED; AND (3) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Proposal, the Scheme, the Option Offer and the Rollover Arrangement, details of which are set out in the Scheme Document dated 30 November 2020 jointly issued by the Company and the Joint Offerors to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

On 28 September 2020 (after trading hours), the Joint Offerors requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed privatisation of the Company by way of the Scheme under Section 86 of the Companies Law. The Proposal is implemented by way of the Scheme and the Option Offer.

Scheme

Under the Scheme, if the Scheme becomes effective, the Scheme Shareholders will receive from the Joint Offerors the Cancellation Price of HK$0.266 in cash for each cancelled Scheme Share as consideration for the cancellation of the Scheme Shares held as at the Scheme Record Date.

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Upon completion of the Scheme, the Joint Offerors and the Joint Offeror Concert Parties will, in aggregate, hold the entire issued share capital of the Company (among which the Rollover Shareholders, in aggregate, will hold approximately 27.58% of the issued share capital of the Company) and the listing of the Shares will be withdrawn from the Stock Exchange.

Option Offer

The Option Offer Letter setting out the terms and conditions of the Option Offer is being despatched separately to the Optionholders pursuant to which an appropriate offer is made by Sharp Vision to the Optionholders to cancel every outstanding (either vested or unvested) Share Option in accordance with Rule 13 of the Takeovers Code. Under the Option Offer, as the exercise price of the relevant Share Option exceeds the Cancellation Price, the "see-through" price is zero and a cash offer of a nominal amount of HK$0.00001 per Share Option will be made. The Option Offer is conditional upon the Scheme becoming effective.

Rollover Arrangement

The Joint Offerors propose that the Rollover Shareholders retain their respective shareholdings in the Company and remain as shareholders of the Company after the Scheme becomes effective. The Rollover Shareholders, in aggregate, hold 4,587,911,141 Shares (representing approximately 27.58% of the issued share capital of the Company) as at the Latest Practicable Date.

An Independent Board Committee comprising Dr. Loke Yu, Mr. Heng Ja Wei and Mr. Ho Man (all being independent non-executive directors of the Company) has been formed to advise the Independent Shareholders and the Optionholders on (i) whether the Proposal, the Scheme and the Option Offer are, or are not, fair and reasonable and as to the voting of the Scheme and acceptance of the Option Offer; and (ii) whether the Rollover Arrangement is, or is not, fair and reasonable and as to the voting of the Rollover Arrangement. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Proposal, the Scheme, the Option Offer and the Rollover Arrangement pursuant to Rule 2.1 of the Takeovers Code. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Company/the Joint Offerors, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser during the past two years immediately preceding the Latest Practicable Date.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and the information and representations as provided to us by the Directors and the Joint Offerors (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Joint Offerors (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Joint Offerors (where applicable) in the Scheme Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Scheme Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Joint Offerors (where applicable), which have been provided to us. Our opinion is based on the Directors' and the Joint Offerors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Proposal, the Scheme, the Option Offer and the Rollover Arrangement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "RESPONSIBILITY STATEMENTS" of Appendix II to the Scheme Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Scheme Document, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Joint Offerors or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposal, the Scheme, the Option Offer and/or the Rollover Arrangement.

We have assumed that the Proposal, the Scheme, the Option Offer and the Rollover Arrangement will be consummated in accordance with the terms and conditions set forth in the Scheme Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Proposal, the Scheme, the Option Offer and the Rollover Arrangement, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Proposal, the Scheme, the Option Offer and the Rollover Arrangement. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposal, the Scheme, the Option Offer and the Rollover Arrangement, we have taken into consideration the following principal factors and reasons:

(1) Background and terms of the Proposal, the Scheme and the Option Offer

With reference to the letter from the Board (the "**Board Letter**") contained in the Scheme Document, on 28 September 2020 (after trading hours), the Joint Offerors requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed privatisation of the Company by way of the Scheme under Section 86 of the Companies Law.

The Proposal is implemented by way of the Scheme and the Option Offer. Under the Scheme, if the Scheme becomes effective, the Scheme Shareholders will receive from the Joint Offerors the Cancellation Price of HK$0.266 in cash for each cancelled Scheme Share as consideration for the cancellation of the Scheme Shares held as at the Scheme Record Date.

As further mentioned in the Board Letter, if the Proposal is approved, under the Scheme, the share capital of the Company will, on the effective date of the Scheme, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the allotment and issue at par to the Joint Offerors of such aggregate number of new Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Joint Offerors.

Upon the Scheme becoming effective, the Scheme Shares will be cancelled in exchange for the Cancellation Price and the Shares will be withdrawn from listing on the Stock Exchange.

Upon completion of the Scheme, the Joint Offerors and the Joint Offeror Concert Parties will, in aggregate, hold the entire issued share capital of the Company (among which the Rollover Shareholders, in aggregate, will hold approximately 27.58% of the issued share capital of the Company).

The Option Offer Letter setting out the terms and conditions of the Option Offer is being despatched separately to the Optionholders pursuant to which an appropriate offer is being made by Sharp Vision to the Optionholders to cancel every Share Option (either vested or unvested) in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective. Under the Option Offer, as the exercise price of the Share Option granted under the 2009 Share Option Scheme is higher than the Cancellation Price, the Option Offer Price for each Share Option is HK$0.00001 in cash.

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

With reference to the Board Letter, as at the Latest Practicable Date, there were 16,638,046,183 Shares in issue and the Scheme Shareholders (including Mr. Jiang Qing) were interested in 4,071,193,770 Shares (representing approximately 24.47% of the issued share capital of the Company as at the Latest Practicable Date); whereas the Independent Shareholders were interested in 4,063,693,770 Shares (representing approximately 24.42% of the issued share capital of the Company as at the Latest Practicable Date). With reference to the Board Letter, save for the Convertible Bonds held by Sharp Vision, which can be converted into 2,863,592,755 Shares, and the 4,000,000 Share Options and 28,000,000 Share Options respectively held by Mr. Jiang and Mr. Jiang Qing (Mr. Jiang's brother and associate (as defined under the Takeovers Code)) as at the Latest Practicable Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by any of the Joint Offerors or the Joint Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Joint Offerors or the Joint Offeror Concert Parties.

On the assumption that (i) the Shares held by the Rollover Shareholders will not form part of the Scheme Shares; (ii) no Share Options granted under the 2009 Share Option Scheme are exercised before the Scheme Record Date but the holders of such options will receive a cash offer of a nominal amount of HK$0.00001 per Share Option; (iii) no Share Option is granted under the 2019 Share Option Scheme before the Scheme Record Date; and (iv) no further Shares are issued before the Scheme Record Date, the maximum amount of cash consideration required to effect the Proposal will be approximately HK$1,082,938,699.

According to the Board Letter, the Joint Offerors are financing the entire cash consideration under the Scheme in accordance with the terms set out in the Consortium Agreement from internal cash recourses. Sharp Vision is financing the entire cash consideration solely under the Option Offer from its internal cash resources. ABCI Capital, Zhongtai Capital and Donvex Capital, the joint financial advisers to the Joint Offerors in connection with the Proposal, are satisfied that sufficient financial resources are available to the Joint Offerors for satisfying their obligations in respect of the full implementation of the Scheme and the Option Offer in accordance with their respective terms.

(2) Information on the Group

With reference to the Board Letter, the Company is an investment holding company and the Group is engaged in the business of (i) manufacture and sale of airport facilities which comprises mainly passenger boarding bridges and ground support equipment such as airport apron buses, aircraft catering vehicles and other specialized vehicles (the "**Airport Facilities Business**"); (ii) the provision of engineering and computer software solutions for baggage, cargos and material handling and warehousing systems; and (iii) manufacture and sale of fire engines and fire equipment and mobile fire stations and rescue stations (the "**Firefighting and Rescue Business**").

With reference the Company's annual report for the year ended 31 December 2019 (the "**2019 Annual Report**"), the Airport Facilities Business and the Firefighting and Rescue Business contributed to approximately 26% and 58% respectively of the Group's revenue for the year ended 31 December 2019 ("**FY2019**").

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Set out below is a summary of the audited consolidated financial information on the Group for each of the two years ended 31 December 2019 as extracted from the 2019 Annual Report:

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000* (restated)	Year on year change *%*
Revenue	5,957,661	4,367,631	36.40
– *Airport Facilities Business*	*1,573,420*	*1,357,310*	*15.92*
– *Materials handling systems (logistics)*	*929,100*	*881,142*	*5.44*
– *Firefighting and Rescue Business*	*3,455,141*	*2,129,179*	*62.28*
Profit for the year	244,062	195,144	25.07

	As at 31 December 2019 *RMB'000*	As at 31 December 2018 *RMB'000* (restated)	Year on year change *%*
Net assets	3,518,439	3,006,707	17.02

As depicted from the above table, the Group recorded revenue of approximately RMB5.96 billion for FY2019, representing an increase of approximately 36.40% as compared to that for the year ended 31 December 2018 ("**FY2018**"). The Group recorded profit of approximately RMB244.06 million for FY2019, representing an increase of approximately 25.07% as compared to that for FY2018. With reference to the 2019 Annual Report, the increase in Group's revenue and profit in FY2019 was mainly contributed by the Airport Facilities Business and the Firefighting and Rescue Business.

As mentioned in the 2019 Annual Report, the Airport Facilities Business includes primarily the design, manufacturing, installation and sale of three major categories of products and services: the passenger boarding bridges ("**PBB**"), the ground support equipment and the automated parking systems. Revenue and profit growth of the Airport Facilities Business for FY2019 was mainly attributable to (i) the completion of a number of sizable contracts including those for airports in Qingdao, Beijing and Pudong of Shanghai; and (ii) the increase in revenue from the provision of maintenance and renovation services for PBB and other airport facilities as a result of the new service centres in the PRC and Europe established in recent years.

As further mentioned in the 2019 Annual Report, since completion of the Group's acquisition of Shanghai Jindun Special Vehicle Equipment Co., Ltd.* (上海金盾特種車輛裝備有限公司) ("**Shanghai Jindun**"), Shenyang Jietong Fire Truck Co., Ltd.* (瀋陽捷通消防車有限公司) ("**Shenyang Jietong**") and Albert Ziegler GmbH in 2019, the Firefighting and Rescue Business has extended to a great extent in terms of geographical market coverage, product portfolio and production capacity.

Set out below is a summary of the unaudited consolidated financial information on the Group for the six months ended 30 June 2020 (with comparative figures in 2019) as extracted from the Company's interim report for the six months ended 30 June 2020 (the "**2020 Interim Report**"):

	For the six months ended 30 June 2020 *RMB'000*	**For the six months ended 30 June 2019** *RMB'000* (restated)	**Change** %
Revenue	2,173,183	2,368,262	(8.24)
- Airport Facilities Business	*655,939*	*784,652*	*(16.40)*
- Materials handling systems (logistics)	*207,019*	*309,528*	*(33.12)*
- Firefighting and Rescue Business	*1,310,225*	*1,274,082*	*2.84*
Profit for the period	79,598	76,567	3.96
	As at 30 June 2020 *RMB'000*	**As at 30 June 2019** *RMB'000* (restated)	**Change** %
Net assets	3,517,637	3,518,439	(0.02)

As depicted from the above table, the Group recorded revenue of approximately RMB2.17 billion for the six months ended 30 June 2020 ("**1H2020**"), representing a decrease of approximately 8.24% as compared to that for the six months ended 30 June 2019 ("**1H2019**"). Despite the said decrease in revenue, the Group recorded profit of approximately RMB79.60 million for 1H2020, representing an increase of approximately 3.96% as compared to that for 1H2019.

With reference to the 2020 Interim Report, struck by the COVID-19, the production, delivery and installation schedules of all types of products of the Airport Facilities Business (PBB, airport special vehicles and automated parking systems) were affected and resulted in revenue decrease of the Airport Facilities Business for 1H2020 as compared to the corresponding period in 2019. Nevertheless, revenue of the Firefighting and Rescue Business for the 1H2020 increased slightly as compared to the corresponding period in 2019 despite the impact of the COVID-19 pandemic because of the full period contribution of Shanghai Jindun and Shenyang Jietong, the two subsidiaries acquired in April 2019 and June 2019, respectively.

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

(3) Information on and intention of the Joint Offerors

Set out below are information on the Joint Offerors as extracted from the Board Letter:

Expedition Holding is a company incorporated in the Cayman Islands with limited liability on 5 March 2020 and is indirectly wholly-owned by Macao QiXin One Belt One Road Investment Fund L.P., a private equity fund. The general partner of Macao QiXin One Belt One Road Investment Fund L.P. is Macao QiXin, a limited liability company incorporated in the Cayman Islands with PRC state-owned background.

Sharp Vision is an investment holding company incorporated in Hong Kong with limited liability on 30 January 2008, and an indirect wholly-owned subsidiary of CIMC. CIMC is a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: SZ000039) and the Main Board of the Stock Exchange (Stock code: 2039), and is a world leading equipment and solution provider in the logistics and energy industries.

Set out below are intention of the Joint Offerors with regard to the Company as extracted from the Board Letter:

Due to the impact of the COVID-19 epidemic, the global aviation industry has been adversely affected. The Company's operations have gone through numerous difficulties in the first half of 2020. Having experienced great pressure in procuring stable supply of raw materials and completion of new orders, the Company mainly relied on the orders from last year to maintain profitability. In the meanwhile, the downturn in stock prices coupled with the lack of financing means also brought about difficulties for the Company to respond to the risks aforementioned, which may further affect the Company's ability to distribute dividends.

In view of the above, the Joint Offerors decided to launch the Proposal to privatise the Company. Upon successful privatisation, the Company will conduct review on its own business operation. The Joint Offerors will also re-examine the Company's business strategy from a longer-term perspective, and establish long-term development goals in lieu of short-term benefits, notwithstanding the potential impact on the Company's short-term financial performance. In addition, the Company may carry out a series of business operations after the successful privatisation, including but not limited to divesting business segments of the Group with low return on equity, exploring opportunity for separate listing, re-adjusting the organization and management structure and sales system, etc.

Subject to the results of the review on the Group's business operation upon the successful privatisation, the Joint Offerors have no intention as at the Latest Practicable Date to redeploy the fixed assets of the Group or to discontinue the employment of employees of the Group.

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

(4) **Reasons for and benefits of the Proposal**

(a) For the Company: to facilitate a shift in strategy towards long-term growth

With reference to the Board Letter, the Joint Offerors may implement a series of long-term growth strategies on the Company (Upon our enquiry, the Company advised us that such strategies may include (i) products diversification and after-sale-services extension for the Airport Facilities Business; and (ii) integration/consolidation of the Company's subsidiaries acquired during FY2019 under the Firefighting and Rescue Business, with an aim to promote steady development of the Firefighting and Rescue Business). However, such strategies may affect the Company's short-term growth profile and result in the divergence between the Joint Offerors' and the Company's view on the Company's long-term value on one hand, and investors' views on the Company's share price on the other hand. Following the implementation of the Proposal, the Joint Offerors and the Company can make strategic decisions focused on long-term benefits, free from the regulatory constraints and pressure of market expectations on share price associated with being a publicly listed company.

Airport Facilities Business

According to the Economic Performance of the Airline Industry published by the International Air Transport Association (an inter-airline cooperation in promoting safe, reliable, secure and economical air services) in June 2020, (i) the spending on air transport in worldwide airline industry was approximately US$876 billion in 2019, representing an increase of 3.6% on a year-on-year basis; (ii) the number of passenger departures in worldwide airline industry was approximately 4,543 million in 2019, representing an increase of 3.8% on a year-on-year basis; and (iii) the net post-tax profits in worldwide airline industry was approximately US$26.4 billion in 2019, representing a decrease of 3.3% on a year-on-year basis.

With reference to the Board Letter, due to the impact of the COVID-19 epidemic, the global aviation industry has been adversely affected.

According to the Air Transport Monthly Monitor published by the International Civil Aviation Organization (a specialized agency of the United Nations, established by the United States in 1944 to manage the administration and governance of the Convention on International Civil Aviation (Chicago Convention)) in October 2020, (i) the world passenger traffic fell by 79.8%; (ii) the capacity worldwide (in term of available seat-kilometres) fell by 70.1%; and (iii) the world freight traffic declined by 13.5%, on a year-on-year basis in July 2020. Globally, return of traffic is anticipated to remain slow due to the weak consumer confidence along with the unstable epidemic situation.

Firefighting and Rescue Business

With reference to the Board Letter, having experienced great pressure in procuring stable supply of raw materials and completion of new orders, the Company mainly relied on the orders from 2019 to maintain profitability.

With reference to the 2020 Interim Report, suffering from the sweeping pandemic impacts, production schedules of the segment were affected by supply chain disruptions (in particular, imported chassis). Fire engines equipped with imported chassis are normally advanced models sold at higher profit margins, the supply problem has adversely affected the profit of the segment.

According to the China Economic Update published by the World Bank in July 2020, COVID-19 and the measures to contain it triggered a combined demand and supply shock. On the supply side, measures to contain the outbreak disrupted the flow of intermediate goods, labour, and production. On the demand side, containment measures and behavioural responses reduced demand for goods and services.

As aforementioned, long-term growth strategies on the Company that might be implemented by the Joint Offerors may affect the Company's short-term growth profile and result in the divergence between the Joint Offerors' and the Company's view on the Company's long-term value on one hand, and investors' views on the Company's share price on the other hand. Under the influence of the COVID-19 epidemic, the divergence between the Group's long-term development and short-term benefits would be stronger.

(b) The Proposal represents a good opportunity for Scheme Shareholders to realise their investment with a premium

With reference to the Board Letter, the Cancellation Price of HK$0.266 per Scheme Share represents a premium of approximately 20.36% over the closing price per Share on 28 September 2020, being the Last Trading Day, and a premium of approximately 8.57% over the closing price per Share on 27 November 2020, being the Latest Practicable Date. The Cancellation Price also represents a premium of approximately 18.22% and 26.67% over the average closing prices of approximately HK$0.225 and approximately HK$0.210 per Share for 30 and 60 consecutive trading days up to and including the Last Trading Day, respectively.

The average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day was approximately 4,949,952 Shares per day, representing only approximately 0.03% of the issued Shares as at the Last Trading Day and approximately 0.03% of the issued Shares as at the Latest Practicable Date. The relatively low trading liquidity of the Shares makes it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares. The Joint Offerors and the Directors (excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in Part V of this Scheme Document) consider that the Proposal provides the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a premium without having to suffer any illiquidity discount.

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

We performed a trading liquidity analysis of the Shares for the period from 1 October 2019 (being approximately one year prior to the Last Trading Day) up to and including the Latest Practicable Date (the "**Review Period**"). The number of trading days per month, the average daily number of the Shares traded per month, and the respective percentages of the Shares' average daily trading volume as compared to (i) the total number of issued Shares held by the Scheme Shareholders as at the Latest Practicable Date; and (ii) the total number of Shares in issue as at the Latest Practicable Date during the Review Period are tabulated below:

Month	Number of trading days	Average daily trading volume (the "Average Volume") *Number of Shares*	% of the Average Volume to total number of issued Shares held by the Scheme Shareholders as at the Latest Practicable Date *(Note 1)* *Approximate %*	% of the Average Volume to total number of Shares in issue as at the Latest Practicable Date *(Note 2)* *Approximate %*
2019				
October	21	3,357,000	0.08	0.02
November	21	3,719,048	0.09	0.02
December	20	3,535,750	0.09	0.02
2020				
January	20	19,735,000	0.48	0.12
February	20	6,693,500	0.16	0.04
March	22	3,127,727	0.08	0.02
April	19	1,548,158	0.04	0.01
May	20	5,906,750	0.15	0.04
June	21	5,745,476	0.14	0.03
July	22	6,377,955	0.16	0.04
August	21	13,924,048	0.34	0.08
September	20 *(Note 3)*	6,503,750	0.16	0.04
October	18	30,648,889	0.75	0.18
November (up to and including the Latest Practicable Date)	20	16,605,250	0.41	0.10

Source: the Stock Exchange's website

Notes:

1. Based on 4,071,193,770 existing Shares held by the Scheme Shareholders as at the Latest Practicable Date.

2. Based on 16,638,046,183 Shares in issue as at the Latest Practicable Date.

3. Trading in Shares was halted on 29 September 2020 and 30 September 2020.

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

As illustrated from the table above, the Average Volume was thin during the Review Period. From October 2019 to November 2020 (up to and including the Latest Practicable Date), the Average Volume in each month was (i) below 1% of the total number of issued Shares held by the Scheme Shareholders as at the Latest Practicable Date; and (ii) below 0.20% of the total number of Shares in issue as at the Latest Practicable Date.

We did not identify any specific reason which caused the aforesaid fluctuation of the Average Volume during the Review Period.

In light of the above, we also consider that the trading liquidity of the Shares is low and disposal of a large number of Shares by Shareholders in the open market may have adverse impact on the price of Shares.

Having also considered our analysis on the Cancellation Price as set out below, we are also of the view that the Proposal provides the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a premium without having to suffer any illiquidity discount.

(5) The Cancellation Price

Cancellation Price comparison

The Cancellation Price of HK$0.266 per Scheme Share represents:

(i) a premium of approximately 8.57% over the closing price of HK$0.245 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 20.36% (the "**LTD Premium**") over the closing price of HK$0.221 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 22.02% over the average closing price of HK$0.218 per Share based on the daily closing prices as quoted on the Stock Exchange over the five trading days up to and including the Last Trading Day;

(iv) a premium of approximately 18.22% (the "**30-days Premium**") over the average closing price of HK$0.225 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Day;

(v) a premium of approximately 26.67% over the average closing price of HK$0.210 per Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Day;

(vi) a premium of approximately 37.11% over the average closing price of HK$0.194 per Share based on the daily closing prices as quoted on the Stock Exchange over the 90 trading days up to and including the Last Trading Day;

(vii) a premium of approximately 46.15% over the average closing price of HK$0.182 per Share based on the daily closing prices as quoted on the Stock Exchange over the 120 trading days up to and including the Last Trading Day;

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

(viii) a premium of approximately 40.00% over the average closing price of HK$0.190 per Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Day;

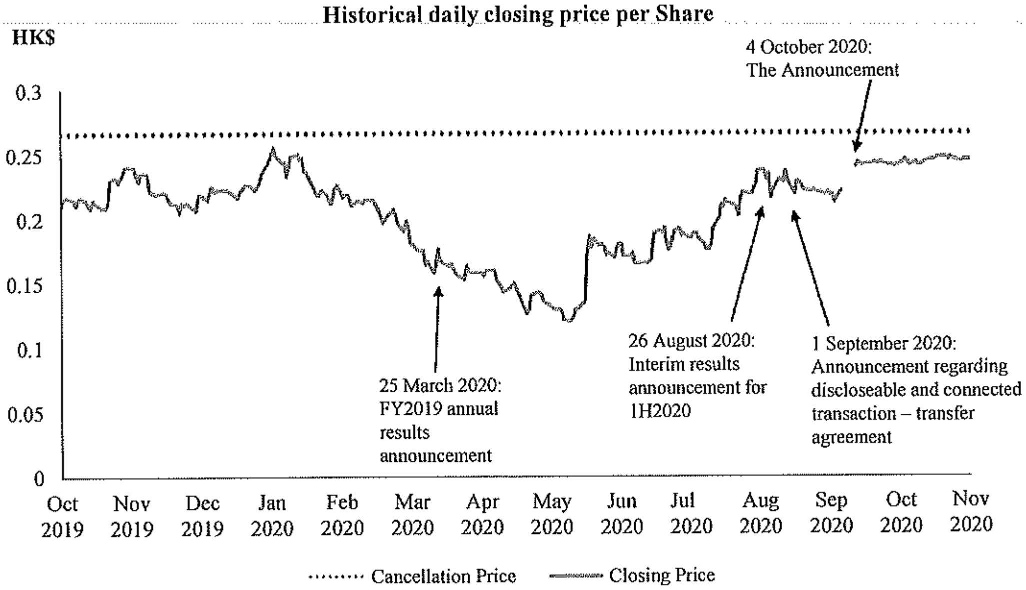
(ix) a premium of approximately 10.83% over the audited net asset value per Share in the Company of approximately RMB0.211 (equivalent to approximately HK$0.240 based on the exchange rate of RMB1: HK$1.136) as at 31 December 2019, based on the 16,638,046,183 Shares in issue as at the Latest Practicable Date; and

(x) a premium of approximately 24.30% (the "**NAV Premium**") over the unaudited equity attributable to owners of the Company per Share of approximately RMB0.188 (equivalent to approximately HK$0.214 based on the exchange rate of RMB1: HK$1.136) as at 30 June 2020, based on the 16,638,046,183 Shares in issue as at the Latest Practicable Date.

Historical price performance of the Shares

Set out below is a chart showing the movement of the closing price of the Shares during the Review Period to illustrate the general trend and movement of the closing price of the Shares.

Historical daily closing price per Share



Source: the Stock Exchange's website

Note: Trading in Shares was halted with effect from 9:00 a.m. on 29 September 2020 and resumed at 9:00 a.m. on 5 October 2020.

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK$0.120 per Share recorded on 25 May 2020 and HK$0.255 per Share recorded on 9 January 2020. The Cancellation Price is above the range of the closing price of the Shares during the entire Review Period.

The closing price of the Shares followed a general increasing trend since the start of the Review Period until reaching 0.255 on 9 January 2020. Subsequently, the closing price of the Shares followed a general downward trend and hit HK$0.120 per Share recorded on 25 May 2020. Afterwards, the closing price of the Shares recovered and reached HK$0.221 on the Last Trading Day (i.e. 28 September 2020).

From 5 October 2020 (being the date following the publication of the Announcement) to the Latest Practicable Date, the closing price of the Shares fluctuated between HK$0.240 and HK$0.247.

We did not identify any specific reason which caused the aforesaid fluctuation of the closing price of the Shares.

Comparison with other comparable companies

As abovementioned, the Airport Facilities Business and the Firefighting and Rescue Business contributed approximately 26% and 58% respectively of the Group's revenue for FY2019, respectively. We searched for listed companies in Hong Kong which are engaged in similar line of main business(es) as the Group, being the Airport Facilities Business and/or the Firefighting and Rescue Business and derived more than 50% of their turnover from such businesses, based on their respective latest published financial information for comparison. The above selection criteria were set to identity comparable companies which engage in similar line of main business(es) as the Group. If the turnover percentage was set below 50%, the comparable companies may engage in more other businesses which are not similar to the Group's main business(es).

Nevertheless, we could not find any listed company in Hong Kong which are engaged in the similar line of business as the Airport Facilities Business and derived more than 50% of its turnover from such business, based on its latest published financial information. We could only identify 2 companies which are exhaustive and engaged in similar line of business as the Firefighting and Rescue Business and derived more than 50% of their turnover from such business (the "**Comparable Companies**") based on their respective latest published financial information.

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Set out below are the price-to-earnings ratios ("**PER(s)**") and the price-to-book ratios ("**PBR(s)**") of the Comparable Companies based on their closing prices as at the Latest Practicable Date, and their latest published financial information:

Company name (Stock Code)	Principal business	Year-end date	Market capitalisation *Approximate HK$ million*	PER *(Note 1)*	PBR *(Note 2)*
Lumina Group Limited (1162)	Provision of fire safety services in Hong Kong	31 March 2020	85	4.93	0.61
Shanghai Qingpu Fire-Fighting Equipment Co. Ltd. (8115)	Manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products), provision of fire technology inspection services, marine fire-fighting equipment installation and inspection, trading of sanitary-ware and other products, sales of aquarium products	31 December 2019	118	N/A *(Note 3)*	1.44
The Company (the Proposal)			4,076	18.06 *(Note 4)*	1.24 *(Note 5)*

Notes:

1. The PERs of the Comparable Companies were calculated based on their respective latest published annual results and their respective closing prices as quoted on the Stock Exchange and total issued shares as at the Latest Practicable Date.

2. The PBRs of the Comparable Companies were calculated based on their respective net assets attributable to the owners of the company according to their latest published annual results or interim results and their respective closing prices as quoted on the Stock Exchange and total issued shares as at the Latest Practicable Date.

3. The subject company recorded loss attributable to the owners of the company in its latest financial year.

4. The implied PER of the Proposal was calculated based on the Cancellation Price and the profit attributable to owners of the Company for FY2019.

5. The implied PBR of the Proposal was calculated based on the Cancellation Price and the equity attributable to owners of the Company as at 30 June 2020.

We noted that the implied PER of the Proposal is higher than and the implied PBR of the Proposal is within the range of those of the Comparable Companies.

Despite that (i) the businesses, operations and market capitalisation of the Comparable Companies are not the same as the Group; and (ii) only 2 Comparable Companies were identified, the above analysis could provide additional information in assessing the fairness and reasonableness of the Cancellation Price.

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Comparison with other privatisation transactions

To further assess the fairness and reasonableness of the Cancellation Price, we also searched for approved privatisation transactions by way of scheme of arrangement announced by listed companies in Hong Kong from 1 October 2018 (being approximately two years prior to the date of Announcement) up to the Latest Practicable Date (the "**Privatisation Cases**"). To the best of our knowledge and as far as we are aware of, we found 23 Privatisation Cases (excluding Huarong Investment Stock Corporation Limited (stock code: 2277) as the proposal involving a share exchange offer without cash alternative) which meet the aforesaid criteria for comparison and they are exhaustive.

Company name (stock code)	Initial announcement date of the proposal	Premium of the cancellation price over closing price per share on last full trading day prior to the publication of announcement in relation to the respective proposal *Approximate %*	Premium of the cancellation price over/to average closing price per share for the 30 full trading days prior to the publication of announcement in relation to the respective proposal *Approximate %*	Premium/(discount) of cancellation price over/to the respective then net asset value attributable to the owners of the company per share *(note 1)* *Approximate %*
Hopewell Holdings Limited (54)	5 December 2018	46.70	55.50	(35.60)
China Power Clean Energy Development Company Limited (735)	28 March 2019	41.90	78.10	(35.10) *(Note 2)*
China Hengshi Foundation Company Limited (1197)	4 April 2019	10.62	17.37	(42.05)
China Automation Group Limited (569)	14 June 2019	23.97	47.78	16.01
C. P. Lotus Corporation (121)	18 June 2019	10.00	29.40	57.10
Asia Satellite Telecommunications Holdings Limited (1135)	27 June 2019	23.43	44.44	10.01
TPV Technology Limited (903)	12 August 2019	41.39	54.50	(23.94)
Dah Chong Hong Holdings Limited (1828)	20 October 2019	37.55	54.81	(28.16)
Springland International Holdings Limited (1700)	1 November 2019	63.10	56.80	(18.10)
China Agri-Industries Holdings Limited (606)	27 November 2019	34.07	53.17	(22.83)
Joyce Boutique Group Limited (647)	12 December 2019	91.78	82.17	19.91
BBI Life Sciences Corporation (1035)	20 January 2020	16.28	42.45	98.86
Wheelock and Company Limited (20)	27 February 2020	52.20	45.20	(45.00)

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Company name (stock code)	Initial announcement date of the proposal	Premium of the cancellation price over closing price per share on last full trading day prior to the publication of announcement in relation to the respective proposal *Approximate %*	Premium of the cancellation price over/to average closing price per share for the 30 full trading days prior to the publication of announcement in relation to the respective proposal *Approximate %*	Premium/(discount) of cancellation price over/to the respective then net asset value attributable to the owners of the company per share *(note 1)* *Approximate %*
Li & Fung Limited (494)	20 March 2020	150.00	95.20	8.20
Allied Properties (H.K.) Limited (56)	20 April 2020	34.30	39.10	(66.30) *(Note 3)*
Easy One Financial Group Limited (221)	4 May 2020	44.40	90.10	(52.80)
Capxon International Electronic Company Limited (469)	5 June 2020	79.10	88.10	(37.45)
Jinmao (China) Hotel Investments and Management Limited (6139)	12 June 2020	30.40	82.50	81.10
Golden Meditech Holdings Limited (801)	17 June 2020	41.94	60.00	(33.23)
China Baofeng (International) Limited (3966)	21 June 2020	27.50	52.00	(5.50)
Vantage International (Holdings) Limited (15)	2 July 2020	80.00	119.50	(61.70)
O-Net Technologies (Group) Limited (877)	8 July 2020	23.57	24.56	128.85
Changshouhua Food Company Limited (1006)	7 September 2020	16.40	43.20	(38.50)
Maximum		**150.00**	**119.50**	**128.85**
Minimum		**10.00**	**17.37**	**(66.30)**
Mean		**44.37**	**58.95**	**(1.83)**
The Company	**4 October 2020**	**20.36**	**18.22**	**24.30**

Notes:

1. With reference to the relevant announcements, scheme documents and based on the respective then published net assets value attributable to owners of the subject companies.

2. Based on cash alternative.

3. Based on the cash amount representing the aggregate of the scheme consideration and the special dividend.

The LTD Premium, the 30-days Premium and NAV Premium fall within the relevant ranges of the Privatisation Cases.

Despite that the LTD Premium and the 30-days Premium are less than the relevant means of the Privatisation Cases, taking into account that:

(i) the Cancellation Price is above the closing price of the Shares during the entire Review Period;

(ii) the implied PER of the Proposal is higher than and the implied PBR of the Proposal is within the range of those of the Comparable Companies;

(iii) the LTD Premium, the 30-days Premium and NAV Premium fall within the relevant ranges of the Privatisation Cases; and

(iv) the trading liquidity of the Shares is low and disposal of a large number of Shares by Scheme Shareholders in the open market may have adverse impact on the price of Shares,

we consider the Cancellation Price to be fair and reasonable so far as the Independent Shareholders are concerned and we are of the view that that the Scheme provides an exit alternative for the Scheme Shareholders who would like to realise their investments in the Shares.

(6) The Option Offer

According to the Board Letter, as at the Latest Practicable Date, there were (i) 115,625,000 Share Options granted under the 2009 Share Option Scheme, each relating to one Share with an exercise price of HK$0.42; and (ii) no Share Option being granted under the 2019 Share Option Scheme.

The Option Offer Letter setting out the terms and conditions of the Option Offer is being despatched separately to the Optionholders pursuant to which an appropriate offer is made by Sharp Vision to the Optionholders to cancel every outstanding (either vested or unvested) Share Option in accordance with Rule 13 of the Takeovers Code. Under the Option Offer, as the exercise price of the relevant Share Option exceeds the Cancellation Price, the "see-through" price is zero and a cash offer of a nominal amount of HK$0.00001 per Share Option (i.e. the Option Offer Price) is being made. The Option Offer is conditional upon the Scheme becoming effective.

As at the Latest Practicable Date, the Share Options are also out-of-money. In light of the above, we consider the Option Offer Price to be fair and reasonable.

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

(7) **The Rollover Arrangement**

With reference to the Board Letter, the Joint Offerors propose that the Rollover Shareholders (who are Joint Offeror Concert Parties) retain their respective shareholdings in the Company and remain as shareholders of the Company after the Scheme becomes effective. The Rollover Shareholders, in aggregate, hold 4,587,911,141 Shares (representing approximately 27.58% of the issued share capital of the Company) as at the Latest Practicable Date.

Information on the Rollover Shareholders

Set out below are information on the Rollover Shareholders as extracted from the Explanatory Memorandum:

Mr. Jiang was appointed as an executive Director in February 2002. He is also the honorary chairman of the Company. Mr. Jiang is a key member of the management team of the Group with over 25 years of experience in the fire services and maintenance industry in the PRC. The Joint Offerors are of the view that it is important for the Company to retain him as both a member of the senior management of the Group and a Shareholder after the completion of the Scheme so that he will be incentivised to continue to contribute to the development of the Group.

Mr. Zheng was appointed as a non-executive Director of the Company in July 2015 and re-designated to executive Director and chief executive officer of the Company in April 2016. Mr. Zheng is also the chairman of the risk management committee of the Company. Mr. Zheng is a key member of the management team of the Group with over 30 years of experience in the field of engineering and machinery manufacturing. The Joint Offerors are of the view that it is important for the Company to retain him as both a member of the senior management of the Group and a Shareholder after the completion of the Scheme so that he will be incentivised to continue to contribute to the development of the Group.

Fengqiang is ultimately held by Mr. Wang Lele, Ms. Chen Zhe, Mr. Yao Le Ran and Mr. Li Zhu Feng as at the Latest Practicable Date, who are the senior management members of the Company. Fengqiang is a shareholding platform for employees of the Company to attract, retain, and motivate these employees by aligning their interests with the performance and goals of the Group. As these employees are involved in the daily operation and possess experience and expertise which are vital to the business operation of the Group, the Joint Offerors consider that it is important for these employees to retain their interests in the Company through Fengqiang, in order to incentivise continual contribution from these employees to the development of the Group after the completion of the Scheme.

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

HongKong Ruicheng is indirectly owned by Mr. Zhou Xiangyi and Mr. Zhou Guodong, who were formerly the ultimate beneficial owners of Shanghai Jindun before its acquisition by the Group in April 2019. In consideration of the aforesaid acquisition, the Company issued consideration shares to HongKong Ruicheng, which has become a Shareholder since then. In light of the extensive experience and network of Mr. Zhou Xiangyi and Mr. Zhou Guodong in the fire engines industry, being one of the business segments of the Group, the Joint Offerors are of the view that it is important for the Company to maintain their shareholding in the Company through HongKong Ruicheng after the completion of the Scheme, in order to facilitate the implementation of the future plan of the Joint Offerors on the Group.

CSR China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥)) was established in Shenzhen, the PRC, on 25 January 2017. As at the Latest Practicable Date, its general partner is China Merchant Huihe, and its limited partners are China State-owned Enterprise Structural Reform Fund Co., Ltd.* (中國國有企業結構調整基金股份有限公司), China Merchant Capital Investment Co., Ltd. (招商局資本控股有限責任公司), Shenzhen Guidance Fund Investment Ltd. (深圳市引導基金投資有限公司), Shenzhen Yantian District State-owned Asset Investment and Management Ltd. (深圳市鹽田區國有資本投資管理有限公司) and Shenzhen Xinhe Investment Partnership (Limited Partnership)* (深圳新合投資合夥企業(有限合夥)). CSR Merchant Buyout is managed by China Merchant Huihe and focuses on mergers and acquisitions, restructuring and reform of state-owned enterprises in the field of cultural and entertainment, medical, logistic, financial, and environmental industry. CSR China Merchant Buyout Fund has been a strategic investor of the Company since it became a Shareholder by subscription of Shares in 2018. The Joint Offerors are of the view that it is important to retain CSR China Merchant Buyout Fund as a Shareholder after the completion of the Scheme, in order to take advantage of its extensive networking to bring in potential business partners or investors in the relevant industries, which may require the services or are interested in the business of the Group, to facilitate the implementation of the future plan of the Joint Offerors on the Group, which would be in the interest of the Company and its Shareholders.

The Rollover Agreement

With reference to the Board Letter, the Joint Offerors and the Rollover Shareholders have entered into the Rollover Agreement, pursuant to which:

(a) subject to the Rollover Conditions, the Shares held by the Rollover Shareholders (i) will not form part of the Scheme Shares under the Scheme and will not be voted at the Scheme at the Court Meeting; (ii) will not be cancelled and extinguished when the Scheme becomes effective, and accordingly the Rollover Shareholders will remain as the Shareholders after the Scheme becomes effective;

(b) each of the Rollover Shareholders has undertaken that (i) it/he will not, directly or indirectly, take any action which will preclude, prejudice, restrict or delay the successful outcome of the Scheme or the Proposal or the withdrawal of listing of Shares on the Stock Exchange or otherwise conflict with or diminish its/his obligations under the Rollover Agreement; (ii) subject to compliance with relevant laws and regulations, it/he will do all such acts and things and execute all such documents as may be reasonably required by the Joint Offerors to give effect to the undertakings contained in the Rollover Agreement;

(c) each of the Rollover Shareholders has undertaken that, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws and regulations, to exercise, or, as the case may be, to procure the exercise of the voting rights in respect of the Shares owned by it/him directly on resolutions in relation to the Scheme in accordance with the Joint Offerors' directions, and in the absence of any such directions, to vote in favour of all resolutions which are necessary to implement the Scheme proposed at a court meeting and/or a general meeting of the Company, and that it/him shall be bound by, and take all actions necessary to implement the Scheme;

(d) before the Scheme becomes effective, lapses or is withdrawn and the closing of the Option Offer (whichever later), the Rollover Shareholders shall not (i) directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by it/him in the Company; (ii) accept, or give any undertaking (whether conditional or unconditional) to accept, exercise voting rights attached to the Shares held by it/him to approve or otherwise agree to any offer, scheme of arrangement, merger or other business combination made or proposed to be made in respect of such Shares or disposal of material assets of the Company and its subsidiaries by any person other than pursuant to the Scheme; and (iii) acquire, subscribe for or otherwise deal in the shares, convertible securities, options or other securities of the Company without prior consent of the Joint Offerors;

(e) the Rollover Shareholders will remain as shareholders of the Company immediately after the Scheme becomes effective; and

(f) Mr. Jiang has irrevocably undertaken to the Joint Offerors that he will not (i) exercise any Share Options held by him; and (ii) accept the Option Offer in respect of all of his Share Options.

Further details of the Rollover Arrangement and the Rollover Agreement are set out in the section headed "THE ROLLOVER ARRANGEMENT" of the Board Letter.

RECOMMENDATION

In relation to the Proposal, the Scheme and the Option Offer, having taken into consideration the principal factors and reasons as discussed above, in particular:

(i) The long-term growth strategies on the Company that might be implemented by the Joint Offerors may affect the Company's short-term growth profile and result in the divergence between the Joint Offerors' and the Company's view on the Company's long-term value on one hand, and investors' views on the Company's share price on the other hand. Under the influence of the COVID-19 epidemic, the divergence between the Group's long-term development and short-term benefits would be stronger;

(ii) the trading liquidity of the Shares is low and disposal of a large number of Shares by Shareholders in the open market may have adverse impact on the price of Shares. The Proposal provides the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a premium without having to suffer any illiquidity discount;

(iii) the Cancellation Price being fair and reasonable so far as the Independent Shareholders are concerned; and

(iv) the Option Offer Price to be fair and reasonable so far as the Optionholders are concerned,

we are of the opinion that the terms of the Proposal, the Scheme and the Option Offer are fair and reasonable so far as the Independent Shareholders/Optionholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions which will be proposed at the Court Meeting and the EGM to approve the Scheme. We also advise the Independent Board Committee to recommend the Optionholders to accept the Option Offer.

In relation to the Rollover Arrangement, we noted that the Proposal and the Scheme will become effective and binding on the Company and all Scheme Shareholders subject to the fulfilment of the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement. While we are of the opinion that the terms of the Proposal, the Scheme and the Option Offer are fair and reasonable, we consider that the approval of the Rollover Arrangement, which is a prerequisite for the implementation of the Proposal, is in the interest of the Company and the Shareholders. Having also considered that:

(i) the Rollover Shareholders are familiar with the Group's business (in particular, (a) Mr. Jiang is a key member of the management team of the Group with over 25 years of experience in the fire services and maintenance industry in the PRC; (b) Mr. Zheng is a key member of the management team of the Group with over 30 years of experience in the field of engineering and machinery manufacturing; (c) Fengqiang is a shareholding platform for employees of the Company to attract, retain, and motivate these employees by aligning their interests with the performance and goals of the Group; (d) HongKong Ruicheng is indirectly owned by Mr. Zhou Xiangyi and Mr. Zhou Guodong, who were formerly the ultimate beneficial owners of Shanghai Jindun before its acquisition by the Group in April 2019; and (e) CSR China Merchant Buyout Fund has been a strategic investor of the Company since it became a Shareholder by subscription of Shares in 2018 and the Company may take advantage of its extensive networking to bring in potential business partners or investors in the relevant industries, which may require the services or are interested in the business of the Group);

(ii) given the background of the Rollover Shareholders, it is important for the Company to retain the Rollover Shareholders as Shareholders after the completion of the Scheme so that the Rollover Shareholders will have incentives to continue to contribute to the future development and growth of the Group;

(iii) the Rollover Agreement does not provide the Rollover Shareholders interests in the Company which the Rollover Shareholders do not originally own; and

(iv) in the case where the Independent Shareholders were given the opportunity to retain interests in the Company, subsequent to the Scheme had become effective and the withdrawal of listing of the Shares, their interests would no longer be safeguarded by regulations relating to minority shareholders protection applicable to listed companies on the Stock Exchange, in particular, the existing protections under the Chapter 14 and Chapter 14A of the Listing Rules regarding notifiable transactions and connected transactions respectively that are currently applicable to the Company as a Hong Kong listed company. In relation to dilution of shareholdings, under the Listing Rules, general mandate or specific shareholders' approval is required for issuing new shares. In addition, the Takeovers Code would only remain applicable to the Company as long as the Company remains a public company in Hong Kong. In the event that the Company ceases to be a public company, it would no longer be subject to the Takeovers Code. In that case, the interests of the Independent Shareholders would only be safeguarded primarily by the constitutional documents of the Company and provisions regarding minority shareholders' interest protection under the Companies Law, which do not necessarily provide the same level of minority protections that would be available had the Listing Rules and the Takeovers Code continued to apply. In addition, these Independent Shareholders might find it difficult to realise their shareholdings as no public trading in the Shares would be available,

we are of the opinion that the terms of the Rollover Arrangement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution which will be proposed at the Court Meeting and the EGM to approve the Rollover Arrangement.

As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong

Gram Capital Limited
嘉林資本有限公司

Yours faithfully,
For and on behalf of
Gram Capital Limited

Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purpose only*

香港中環幹諾道中88號/德輔道中173號南豐大廈12樓1209室
Room 1209, 12th Floor, Nan Fung Tower, 88 Connaught Road Central / 173 Des Voeux Road Central, Hong Kong