

14 December 2021

*To: The independent board committee and the independent shareholders
of China Railway Group Limited*

Dear Sir/Madam,

CONNECTED TRANSACTION

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 Connected Grant, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 14 December 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 22 November 2021 (the “**Board Resolution Date**”), the Board approved the relevant resolution in relation to the proposed adoption of the Scheme. A number of up to 200,000,000 Restricted Shares are proposed to be granted under the Scheme, representing approximately 0.98% of the total A share capital of the Company of 20,363,539,283 Shares as at the date thereof. In particular, 180,000,000 Restricted Shares will be granted under the first grant, representing 90.00% of the total number of Restricted Shares available to be granted under the Scheme and 0.88% of the total A share capital of the Company as at the date thereof; and a number of 20,000,000 Restricted Shares will be reserved for further grant, representing 10.00% of the total number of Restricted Shares available to be granted under the Scheme and 0.10% of the total A share capital of the Company as at the date of the thereof. The announcement in relation to the aforesaid matters was published on the Hong Kong Stock Exchange on 22 November 2021 and on the Shanghai Stock Exchange on 23 November 2021.

Among the total of 180,000,000 Restricted Shares under the first grant: (i) 3,946,500 Restricted Shares will be granted to 13 Connected Participants; and (ii) 176,053,500 Restricted Shares will be granted to 719 other Participants.

With reference to the Board Letter, the Connected Grant constitutes a non-exempt connected transaction of the Company, which is subject to reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. CHUNG Shui Ming Timpson, Mr. ZHANG Cheng and Mr. XIU Long (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Connected Grant are on normal commercial terms and are fair and reasonable; (ii) whether the Connected Grant is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Connected Grant at the Extraordinary General Meeting. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of (i) any relationships or interests between Gram Capital and the Company; or (ii) any services provided by Gram Capital to the Company, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, 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. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular 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 Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Scheme. 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.

The 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 the 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 therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, 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 and the Participants (including the Connected Participants) or their respective associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the proposed adoption of the Scheme. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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 extracted 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 Connected Grant, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Connected Grant

Information on the Company

With reference to the Board Letter, the Company is a joint stock limited company incorporated in the PRC. The Group provides a full range of construction-related services, including infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing and also expands to other businesses such as property development and mineral resources development.

Set out below is a summary of the key consolidated financial information of the Group for the five years ended 31 December 2020 and for the six months ended 30 June 2021 as extracted from the Company's annual report for the year ended 31 December 2020 and the Company's interim report for the six months ended 30 June 2021 (the "2021 Interim Report"), respectively:

| | For the six months ended 30 June 2021 RMB million (unaudited) | For the year ended 31 December 2020 RMB million (audited) | For the year ended 31 December 2019 RMB million (audited) | For the year ended 31 December 2018 RMB million (audited) | For the year ended 31 December 2017 RMB million (audited) | For the year ended 31 December 2016 RMB million (audited) |
|--|---|--|--|--|--|--|
| Revenue | 498,227 | 974,732 | 850,843 | 740,383 | 688,773 | 632,856 |
| Profit for the year/period attributable to owners of the Company | 13,095 | 25,188 | 23,678 | 17,198 | 16,067 | 12,509 |

As depicted in the above table, during the recent five full financial years, the Group's profit attributable to owners of the Company had increased continuously from approximately RMB12.51 billion for the year ended 31 December 2016 to approximately RMB25.19 billion for the year ended 31 December 2020, mainly due to the increase in revenue of the Group over the years.

With reference to the 2021 Interim Report, in the first half of 2021, the global epidemic continued to evolve, and the external economic environment became more complex and severe. The domestic economic recovery was still unstable and uneven. Internationally, the global economic recovery has come under tremendous pressure due to the repeated outbreak, rising commodity prices, rising inflationary pressure, growing expectations of tighter liquidity and



rising risk aversion in the market. Domestically, benefit from the effective epidemic prevention and control measures, China's economy continued to recover and grow steadily; efforts were made to promote self-reliance and self-improvement in science and technology, reform and opening up were continuously intensified, people's livelihood was effectively guaranteed, new achievements were made in high-quality development, and social stability was maintained. However, the foundation of economic recovery was still unstable and uneven, and economic development faced new risks and challenges.

Information on the Connected Participants

With reference to the Board Letter, the Participants of the Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the Trial Measures, the Notices, the Guidelines and the relevant requirements under other relevant laws, regulations, regulatory documents and the Articles of Associations as well as the actual circumstances of the Company. The Participants under the Scheme shall include the directors, senior management personnel, middle management personnel and core personnel of the Group who are in office during the implementation of the Scheme.

The Directors advised us that after finalising the identities of all Participants (i.e. (i) directors and senior management of the Group; (ii) middle management of the Group; and (iii) core personnel of the Group), the Company further identified whether such Participants are connected persons of the Company.

Details of the Connected Participants are set out under the sub-section headed “(V) List of connected persons at the first grant” in the section headed “II. BASIS FOR DETERMINING THE PARTICIPANTS AND THE SCOPE OF THE PARTICIPANTS” of the Board Letter.

Reasons for and benefits of the Connected Grant

With reference to the Board Letter, in order to further promote the establishment and improvement of the long-term incentive mechanism of the Company, attract and retain talents, fully incentivize the directors, senior management personnel, middle management personnel and core personnel of the Group, effectively align the interests of the Shareholders, the Company with the individual interests of the operators to focus on and work collectively for the long-term development of the Company, the Scheme is formulated in accordance with the relevant requirements under the Securities Law, the Company Law, the Administrative Measures, the Trial Measures, the Notices, the Guidelines and the Articles of Association as well as in conjunction with the current management systems such as the remuneration system and performance appraisal system of the Company.

The Board is of the view that the adoption of the Scheme will assist the Company in achieving the aforesaid goals, and that the terms and conditions of the Scheme and the grant of Restricted Shares to the Connected Participants are on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Based on our independent research, we noted that there were various companies (which listed on mainboard of Shanghai Stock Exchange) proposed to grant restricted shares to their directors/senior/middle managements and/or core personnel during recent years. Accordingly, we consider that it is a common practice for companies listed on Shanghai Stock Exchange to adopt restricted share incentive scheme for their personnel and employees.

Having considered the above reasons and that (i) the Connected Grant can motivate the Connected Participants to make contributions to the Group; (ii) adopting restricted share incentive scheme for personnel and employees is a common practice for companies listed on Shanghai Stock Exchange; and (iii) there will not be any actual cash paid by the Group to the Connected Participants under the the Connected Grant, we concur with the Directors that the Connected Grant is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Connected Grant

Set out below are the principal terms of the Connected Grant. Details of the terms of the Connected Grant are set out in the Board Letter.

Number of Restricted Shares under the Connected Grant

The number of Restricted Shares to be granted to the Connected Participants ranged from approximately 0.0008% to 0.0018% of the total share capital of the Company as at the Latest Practicable Date. Details of number of Restricted Shares to be granted to the Connected Participants are set out under the sub-section headed “(V) List of connected persons at the first grant” in the section headed “II. BASIS FOR DETERMINING THE PARTICIPANTS AND THE SCOPE OF THE PARTICIPANTS” of the Board Letter.

With reference to the Board Letter, the value of the entitlements granted to Directors and senior management of the Company shall be determined at no more than 40% of the total remuneration level (including the value of interests granted) at the time of grant, and the value of the entitlements granted to other Participants such as the core members in management, technology and business shall be determined reasonably by the Board (the “Bases”). If relevant policies are adjusted within the Term of the Scheme, the Board may revise this clause in accordance with the adjustments stipulated by relevant authorities. Upon our request, we understood that the Bases was in compliance with the requirements as stated in the Notices.

We further understood from the Directors that bases for determination of maximum value of the entitlements to be granted to Participants (other than Directors and senior management of the Company, but including the Connected Participants) were made reference to the Bases with further adjustment (such as average salary for the same level participants instead of individual participants, etc.).

For our due diligence purpose, we obtained assessment records of the Connected Participants and noted that such assessment records were consistent with the aforesaid basis of determining the maximum entitlements to be granted to the Connected Participants. The actual entitlements were determined with reference to the proportion of individual maximum entitlements to the adjusted total maximum entitlements and the adjusted number of Restricted Shares to be granted under the first grant. We further randomly selected assessment records of 10 Participants (other than Connected Participants and senior management of the Company) and noted that the bases for determination of maximum entitlements to be granted to the Connected Participants were in line with that to such Participants. The actual number of the Restricted Shares for each Connected Participants did not exceed the maximum number of the Restricted Shares for such Connected Participants.

Having considered the above factors, including (i) the Bases was in compliance with the requirements as stated in the Notices; (ii) bases for determination of maximum value of the entitlements to be granted to Participants (other than Directors and senior management of the Company, but including the Connected Participants) were made reference to the Bases; (iii) based on our review results, the bases for determination of maximum entitlements to be granted to the Connected Participants were in line with that to such Participants, we are of the view that the bases for determination of numbers of Restricted Shares to be granted to the Connected Participants are fair and reasonable. Accordingly, we also consider the numbers of Restricted Shares to be granted to the Connected Participants are fair and reasonable.

The Grant Price

The Grant Price of the Restricted Shares shall be RMB3.55 per Share. Upon fulfilment of grant conditions, each Participant is entitled to purchase the A Shares newly issued to the Participants by the Company at the price of RMB3.55 per Share.

The Grant Price of RMB3.55 per A Share represents:

- (i) a discount of approximately 37.72% to the closing price of RMB5.70 per A Share as quoted on the Shanghai Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 6.93% over the closing price of HK\$4.05 (equivalent to approximately RMB3.32 based on HK\$1: RMB0.82096) per H Share, as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;
- (iii) a discount of approximately 31.86% to the closing price of RMB5.21 per A Share, as quoted on the Shanghai Stock Exchange on the Board Resolution Date; and
- (iv) a premium of approximately 16.39% over the closing price of HK\$3.72 (equivalent to approximately RMB3.05 based on HK\$1: RMB0.82096) per H Share, as quoted on the Hong Kong Stock Exchange on the Board Resolution Date.

Under the Scheme, the Grant Price shall not be less than the nominal value of the A Shares of the Company and the higher of the following: (i) 60% of the average trading price of the underlying A Shares of the Company on the last trading day immediately preceding the date of the announcement of the Scheme (the total transaction value for the last trading day/total volume of the Shares of the Company traded for the last trading day) (i.e. RMB3.13); and (ii) 60% of the average trading price of the underlying A Shares of the Company for 60 trading days immediately preceding the date of the announcement of the Scheme (i.e. RMB3.55).

As advised by the Directors, the Grant Price has to comply with the requirements set out under the Administrative Measures promulgated by the CSRC, which requires the issue price of new shares (i) not to be set at a price lower than its nominal value; and (ii) principally not to be set at a price lower than the higher of the (a) 50% of the average trading price on the trading day preceding the date of announcement of the A shares incentive scheme (draft); and (b) 50% of the average trading price for one of the last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the A shares incentive scheme (draft). If a listed company adopts other approaches to determine grant price of restricted A shares, detailed basis of determination of such price should be disclosed in the A shares incentive scheme. As demonstrated above, the Grant Price complies with the Administrative Measures.

As further advised by the Directors, the Grant Price also has to comply with the requirements set out under the Trial Measures and 《關於進一步做好中央企業控股上市公司股權激勵工作有關事項的通知》(Notice on Matters Concerning Further Improving Share Incentive Work of the State-Owned Listed Companies*, the “Further Notice”), issued by Ministry of Finance of the PRC, requires, among other things, (i) the issue price of restricted shares principally not to be set at a price lower than the 60% of its market price, should the listed company’s stock price being lower than its net asset value; and (ii) the closing price on last trading day and 30 days’ average closing price immediately before the last trading day will also be considered.

To further assess the fairness and reasonableness of the Grant Price to be granted to the Connected Participants, we searched for restricted A shares incentive scheme proposals (by way of issuance of new A shares which constituted connected transaction (pursuant to the Hong Kong Listing Rules) of such company) first announced by companies dual listed on the main board of the Hong Kong Stock Exchange and the mainboard of Shanghai Stock Exchange from 1 November 2021 to 22 November 2021, being nearly one month immediate before and including the Board Resolution Date. To the best of our knowledge, we could not find any transaction which met the aforesaid criteria. Accordingly, we extended our review period from “1 November 2021 to 22 November 2021” to “23 November 2019 to 22 November 2021”, being two years immediate before and including the Board Resolution Date. To the best of our knowledge, we found 7 scheme proposals (the “Comparables”), which met the aforesaid extended criteria and they are exhaustive, fair and representative. The table below sets out the summary of the Comparables (the “Comparables Table”):

| Date of announcement | Company name (Stock code) | Subject to the compliance with relevant PRC laws/regulations, was the initial grant price determined only refer to the benchmark price (being only the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme; and (ii) the average trading price of the subject A shares for one of last 20 trading days, 60 trading days or 120 trading days preceding the date of announcement of the incentive scheme (draft) (the “Criteria”)? (Percentage will be disclosed if yes) | Unlocking provision over a period of time | Lock-up period from the date on which the first grant/(if no reserved parts) the grant has been registered | Conditions for unlocking the restricted A shares which are based on, amongst others, the participants' performance and/or financial performance of the listed companies |
|----------------------|---|--|---|--|---|
| 30 January 2020 | Great Wall Motor Company Limited* (2333 & SH601633) | Yes 50% | Yes | 12 months 24 months 36 months | Yes |
| 23 March 2020 | Tsingtao Brewery Company Limited (168 & SH600600) | Yes 50% (Note) | Yes | 24 months 36 months 48 months | Yes |
| 24 September 2020 | Guangzhou Automobile Group Co., Ltd. (2238 & SH601238) | Yes 50% | Yes | 24 months 36 months 48 months | Yes |
| 17 November 2020 | Zijin Mining Group Co., Ltd.* (2899 & SH601899) | Yes 60% | Yes | 24 months 36 months 48 months | Yes |
| 14 March 2021 | Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (2196 & SH600196) | Yes 50% | Yes | 12 months 24 months 36 months | Yes |
| 18 April 2021 | Zhengzhou Coal Mining Machinery Group Company Limited (564 & SH601717) | Yes 50% | Yes | 12 months 24 months 36 months | Yes |
| 25 May 2021 | Great Wall Motor Company Limited* (2333 & SH601633) | Yes 50% | Yes | 12 months 24 months 36 months | Yes |

Note: The grant price is the higher of (a) 50% of the average trading price of A shares on (i) the last trading day; (ii) 20 trading days, immediately preceding the date of the announcement of the incentive plan; (b) 50% of the average closing price of A shares on the last trading day immediately preceding the date of the announcement of the draft summary of the incentive plan; and (c) 50% of the average closing price of A shares on the last 30 trading days immediately preceding the date of the announcement of the draft summary of the incentive plan.

Sources: website of the Hong Kong Stock Exchange

As demonstrated in the above table, the majority of the Comparables' grant price were determined based on 50% of the benchmark price (being the higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme; and (ii) the average trading price of the subject A shares for one of the last 20 trading days, 60 trading days, or 120 trading days preceding the date of announcement of the incentive scheme(draft)).

Given the above and that the Grant Price complies with the Administrative Measures, the Trial Measures and is in line with the market practice, we are of the view that the Grant Price is fair and reasonable.

The Validity Period, Lock-up Period and Unlocking Arrangement of the Scheme (the "Unlocking Conditions")

With reference to the Board Letter, the Term of the Scheme shall commence from the completion date of registration of the Restricted Shares under the first grant and end on the date of all the Restricted Shares granted and issued to the Participants having unlocked or repurchased and cancelled, the maximum period of which shall not exceed 72 months.

Lock-up Period of the Restricted Shares granted under the Scheme shall be 24 months, 36 months and 48 months from the relevant completion date of registration of the Restricted Shares under the corresponding grant. The Restricted Shares granted and issued to the Participants under the Scheme shall not be transferred, pledged or used for repayment of debt during the Lock-up Period. After the expiry of the Lock-up Period, the Company will proceed the unlocking arrangement for those Restricted Shares which satisfy the Unlocking Conditions. Restricted Shares which does not satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company in accordance with the stipulated principles in the Scheme.

During the Lock-up Period, Shares acquired by the Participants by virtue of holding the Restricted Shares as a result of capitalisation issue, bonus issue and share sub-division shall be subject to lock-up provisions in accordance with the Scheme, and shall not be sold in the secondary market or otherwise transferred. The Unlocking Period of such Shares is the same as that of the Restricted Shares. If the Company repurchases the unlocked Restricted Shares, such additional Shares shall be repurchased at the same time.

The unlocking schedule and arrangements for the Restricted Shares of the Scheme to be granted under the first grant and the Reserved Grant are set out below:

| Unlocking period | Unlocking schedule | Proportion of the Unlocked Restricted Shares |
|-------------------------|--|--|
| First Unlocking Period | Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares; | 1/3 |
| Second Unlocking Period | Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares and ending on the last trading day of the 48-month period from the date of completion of registration of certain corresponding Restricted Shares; | 1/3 |
| Third Unlocking Period | Commencing from the first trading day after expiry of the 48-month period from the date of completion of registration of certain corresponding Restricted Shares and ending on the last trading day of the 60-month period from the date of completion of registration of certain corresponding Restricted Shares. | 1/3 |

As demonstrated in the Comparables Table, (i) 3 out of 7 of the Comparables have the first portions of restricted A shares to be granted under the first grant with locking period of 24 months from the date of which the grant has been registered; and (ii) all of the Comparables have the first portions of restricted A shares to be granted under the first grant with locking period of not later than 24 months from the date of which the grant has been registered; and (iii) an additional 12 months period was applied to the next portions of restricted A shares to be granted by the Comparables (e.g. from 1st portion to 2nd portion, from 2nd portion to 3rd



portion). We consider that the lock-up period for the grant of Restricted Shares under the Scheme were not of more favourable to the Participants (including the Connected Participants) as compared to those granted by the Comparables.

Certain conditions must be fulfilled before the Company can grant the Restricted Shares under the Scheme and the Restricted Shares granted under the Scheme can be unlocked (e.g. performance appraisal at company level and, performance appraisal at individual level). Details of the Unlocking Conditions (including the performance indicators) are set out in the Board Letter.

We are of the view that the Unlocking Conditions will strengthen the incentive for the Connected Participants to use their efforts to achieve the performance targets, which will contribute to the growth and development of the Group.

In addition, according to our observation on the Comparables, we noted that it is common practice for restricted A shares incentive schemes to have conditions for unlocking the restricted A shares which are based on, amongst others, the participants' performance and/or financial performance of the listed companies.

Adjustments

The number of Restricted Shares and the Grant Price are subject to adjustment according to various situations (e.g. capitalisation of capital reserves, bonus issue, share subdivision of shares, rights issue and share consolidation) in the period from the date of the announcement to the completion of registration of the Restricted Shares held by the Participants. In addition, after completion of the registration of the Restricted Shares granted and issued to the Participants, if there is any capitalisation issue, bonus issue, share split, rights issue, additional issue of new shares or share consolidation, dividend distribution and other matters of the Company affecting the total share capital or the share price of the Company, the Company shall make adjustments to the purchase price and the repurchase quantity of the locked-up Restricted Shares accordingly. For details, please refer to sections headed "VII METHODS AND PROCEDURES FOR ADJUSTMENT OF THE SCHEME" and "XII. PRINCIPLES OF REPURCHASE AND CANCELLATION OF RESTRICTED SHARES" of the Board Letter. We noted that the calculation formulae of adjustments to (i) number of Restricted Shares and the Grant Price; and (ii) the purchase price and the repurchase quantity of the locked-up Restricted Shares are comparable to those of the Comparables. Having considered that the adjustment mechanisms (i) will be applied to all Participants (including Connected Participants); and (ii) are comparable to those of the Comparables, we do not doubt the fairness and reasonableness of the proposed adjustment mechanisms for number of Restricted Shares and the Grant Price.

Having considered the above and that, save as the number of Restricted Shares to be granted may be different among the Participants (including the Connected Participants), other terms of the Connected Grant (i.e. repurchase and cancellation of Restricted Shares, adjustments, etc.) are the same as those under the Scheme, we are of the view that the terms of the Connected Grant are fair and reasonable.

3. Dilution effect on the shareholding interests of the existing Shareholders of the Company

The Connected Grant involves 3,946,500 Restricted Shares under the first grant, representing approximately 0.0161% of the existing total issued share capital of the Company as at the Board Resolution Date. Accordingly, the dilution effect on the shareholding interests of the existing Shareholders of Company will be immaterial.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Connected Grant are on normal commercial terms and are fair and reasonable; (ii) the Connected Grant is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the Extraordinary General Meeting to approve the Connected Grant, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

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 purposes only*