
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Controlling Shareholders will directly hold an aggregate of approximately 60.4% of the issued share capital of our Company. Further particulars of the shareholding of Best Partners, Joy Bright and Huaxin Investments are set out in the section headed “History and Corporate Structure—Reorganization of the shareholders’ interest in Best Partners, Huaxin Investments, Gouver Investments Limited and Rockyjng Investment Limited.” Dang Kulun, Pan Jianguo and Jing Yang do not have any relationship among themselves or the shareholders of Best Partners, save for being the former ultimate shareholders of Joy Bright.

Pursuant to the shareholders voting agreement entered into between Best Partners and Joy Bright dated October 28, 2006, Joy Bright authorized Best Partners to exercise its voting rights at the level of China ITS Co., Ltd. on its behalf. Notwithstanding the reorganization of the shareholding interests in Joy Bright on February 9, 2010, the voting arrangement remains in effect with respect to Best Partners and Joy Bright. To facilitate the management and control of the business operations of China ITS Co., Ltd., the shareholders voting agreement was entered into to allow representative from Best Partners to manage the business operations of China ITS Co., Ltd. Pursuant to the said shareholders voting agreement, without the consent of the representative of Best Partners, Joy Bright cannot exercise its shareholder’s voting rights, transfer or pledge its interest in China ITS Co., Ltd. The agreement would terminate upon mutual agreement between Best Partners and Joy Bright.

Prior to June 11, 2008, Best Partners was owned by 13 individuals, as to 18.875% by Liao Daoxun, as to 18.120% by Wu Yurui, as to 16.610% by Jiang Hailin, as to 10.013% by Wang Jing, as to 9.060% by Liang Shiping, as to 9.060% by Wu Chunhong, as to 5.000% by Zhao Lisen, as to 3.775% by Yuan Chuang, as to 1.989% by Zhang Qian, as to 1.989% by Guan Xiong, as to 1.989% by Zheng Hui, as to 2.500% by Lv Xilin and as to 1.020% by Wang Li. Pursuant to the shareholders voting agreement entered into among the individual shareholders of Best Partners dated August 12, 2006, the shareholders of Best Partners (other than Jiang Hailin) delegated their voting rights in Best Partners to Jiang Hailin. In view of the number of beneficial owners in Best Partners and to facilitate the management and control of the business operations, the shareholders voting agreement was entered into to enable Jiang Hailin to manage and control business operations of Best Partners. Pursuant to the said shareholders voting agreement, without the consent of Jiang Hailin, the other beneficial owners of Best Partners cannot exercise their shareholders’ voting rights, transfer or pledge their interest in Best Partners. The agreement would terminate upon mutual agreement between all the beneficial owners of Best Partners.

Pursuant to the reorganization of the shareholding interest in Joy Bright in February 2010, on February 9, 2010, Huaxin Investments, which after such reorganization directly holds Shares in our Company, and China ITS Co., Ltd. have entered into a shareholders voting agreement pursuant to which Huaxin Investments has authorized China ITS Co., Ltd. to exercise its voting rights in our Company on its behalf. The agreement was entered into to allow the voting arrangement prior to the reorganization of the shareholding interest of Huaxin Investments from an indirect shareholder to a direct shareholder in our Company to continue. As the beneficial owners of China ITS Co., Ltd. have delegated their voting rights in China ITS Co., Ltd. to Best Partners and Huaxin Investments has delegated its shareholder’s rights in our Company to China ITS Co., Ltd. pursuant to the agreement dated February 9, 2010, all the interests in our Company held by China ITS Co., Ltd. and Huaxin Investments are in effect controlled by Best Partners, and in turn Jiang Hailin.

Prior to entering into the shareholders voting agreement between Best Partners and Joy Bright dated October 28, 2006, Dang Kulun, Pan Jianguo and Jing Yang, being the ultimate beneficial owners of Joy Bright were aware that their voting rights in China ITS Co., Ltd. would be effectively delegated to Jiang Hailin pursuant to the shareholders voting agreement dated August 12, 2006 entered into among the 13 beneficial owners of Best Partners. Pursuant to the shareholders voting agreements dated August 12, 2006 and October 28, 2006, Jiang Hailin was able to exercise the shareholders’ voting rights in relation to all matters concerning Best Partners and China ITS Co., Ltd. at his sole discretion. In exercising the voting rights on behalf of the other shareholders whether at Best Partners or China ITS Co., Ltd., the relevant shareholders voting agreements do not require Jiang Hailin to seek consent from the other beneficial owners before voting on any matters.

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Although all the beneficial owners of Best Partners (other than Jiang Hailin) have delegated their shareholders' voting rights to Jiang Hailin at the Best Partners level, and Joy Bright has delegated its shareholder's voting rights to Best Partners at the China ITS Co., Ltd. level, and Huaxin Investments has delegated its shareholder's voting rights in our Company to China ITS Co., Ltd., the beneficial owners of Best Partners, Huaxin Investments, Gouver Investments Limited and Rockyjing Investment Limited are the ultimate beneficial owners interested in their respective shareholdings in the relevant companies. Furthermore, there is no arrangement of profit sharing in existence between any of the above-mentioned beneficial owners. The economic benefits of the Company will be transferred to the above-mentioned beneficial owners through (1) the distribution of dividends in accordance with relevant articles of association and laws and regulations of the companies concerned and (2) the distribution of income to the above-mentioned beneficial owners as beneficiaries of the relevant trusts.

In view of the shareholders voting agreement entered into among the shareholders of Best Partners dated August 12, 2006 and the shareholders voting agreement entered into between Best Partners and Joy Bright dated October 28, 2006, the 13 ultimate beneficial owners of Best Partners, the two ultimate beneficial owners of Joy Bright and the ultimate beneficial owner of Huaxin Investments will be treated as a closely allied group of shareholders under the Listing Rules. Following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, the 16 individuals will hold an aggregate interest of approximately 60.4% of the issued share capital of our Company through their respective trusts. As such, the 16 individual shareholders will be considered as our Controlling Shareholders under the Listing Rules. Our Directors have taken legal advice and confirm that each of the shareholders voting agreement dated August 12, 2006, October 28, 2006 and February 9, 2010 has been duly executed by the parties thereto and is a legally binding and effective agreement between the parties.

Set out below is the list of (a) our shareholders as of the Latest Practicable Date and (b) the shareholders of China ITS Co., Ltd.:

<u>Shareholders of the Company</u>	<u>Approximate ownership percentage as of the Latest Practicable Date</u>
China ITS Co., Ltd.	63.2266%
Huaxin Investments ⁽¹⁾	16.8451%
CCBIAM	2.3578%
Baring	1.1103%
CMTF	4.4286%
IGC Asia	2.3578%
Baytree	5.0323%
GE Capital	1.6814%
Intel Capital	0.9867%
Greater China	0.9867%
Future Choice	0.9867%

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<u>Shareholders of China ITS Co., Ltd.</u>	<u>Approximate ownership percentage as of the Latest Practicable Date</u>
Best Partners ⁽²⁾	72.8194%
Joy Bright ⁽³⁾	27.1806%

Notes:

- (1) Huaxin Investments was wholly owned by Dang Kulun prior to June 11, 2008 and has since been held by the Binks Trust, the further particulars of which are set out in the section headed “History and Corporate Structure—Reorganization of the shareholders’ interests in Best Partners, Huaxin Investments, Gouver Investments Limited and Rockyjing Investment Limited.”
- (2) Owned by Tesco Trust and Fino Trust. Tesco Trust is an irrevocable discretionary trust established by Credit Suisse Trust Limited for the benefit of Wang Jing, Zhang Qian, Guan Xiong, Zheng Hui (cousin of Wang Jing) and Wang Li on June 11, 2008. Fino Trust is an irrevocable discretionary trust established by Credit Suisse Trust Limited for the benefit of Liao Daoxun (spouse of Wu Yurui), Wu Yurui, Liang Shiping, Jiang Hailin, Wu Chunhong (parent of Liang Shiping), Yuan Chuang, Lv Xilin and Zhao Lisen on June 11, 2008. For further details, please see the section headed “History and Corporate Structure—Reorganization of the shareholders’ interests in Best Partners, Huaxin Investments, Gouver Investments Limited and Rockyjing Investment Limited.”
- (3) Owned by Binks Trust, which is an irrevocable discretionary trust established by Credit Suisse Trust Limited for the benefit of Dang Kulun, Pan Jianguo and Jing Yang on June 11, 2008, further details of which are set out in the section headed “History and Corporate Structure—Reorganization of the shareholders’ interest in Best Partner, Huaxin Investments, Gouver Investments Limited and Rockyjing Investment Limited.”

BACKGROUND OF CHINA ITS CO., LTD., BEST PARTNERS, HUAXIN INVESTMENTS, GOVER INVESTMENTS LIMITED, ROCKYJING INVESTMENT LIMITED AND JOY BRIGHT

Overview

China ITS Co., Ltd. was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on June 21, 2006. China ITS Co., Ltd. serves as an investment holding company for Best Partners and Joy Bright to hold their interests in our Company.

Best Partners was incorporated in the British Virgin Islands on June 23, 2006. Since August 7, 2006 and until June 11, 2008, Best Partners was owned as to 18.875% by Liao Daoxun, as to 18.120% by Wu Yurui, as to 16.610% by Jiang Hailin, as to 10.013% by Wang Jing, as to 9.060% by Liang Shiping, as to 9.060% by Wu Chunhong, as to 5.000% by Zhao Lisen, as to 3.775% by Yuan Chuang, as to 1.989% by Zhang Qian, as to 1.989% by Guan Xiong, as to 1.989% by Zheng Hui, as to 2.500% by Lv Xilin and as to 1.020% by Wang Li.

Joy Bright was incorporated in the British Virgin Islands by Dang Kulun, Pan Jianguo and Jing Yang. On October 28, 2006, Joy Bright was owned as to 49.5% by Huaxin Investments, as to 30.5% by Gouver Investments Limited (formerly known as Joy Bright Jianguo Limited) and as to 20% by Rockyjing Investment Limited (formerly known as Joy Bright Jingyang Limited). On June 11, 2008, pursuant to their estate planning, Dang Kulun, Pan Jianguo and Jing Yang transferred their respective interests in Huaxin Investments, Gouver Investments Limited and Rockyjing Investment Limited to Binks Investments Limited, a company established by Binks Trust, an irrevocable discretionary trust established for the benefit for Dang Kulun, Pan Jianguo and Jing Yang. On February 9, 2010, Huaxin Investments transferred its entire shareholding in Joy Bright to the other shareholders of Joy Bright in exchange for shares in our Company.

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We set out below a brief description of the principal activities of the companies outside the Group in which certain members of our Controlling Shareholders (including certain of our Directors) have interests in:

<u>Name of company</u>	<u>Current principal business activity</u>
Bailian Youli ⁽¹⁾	Investment holding company that invests in entities that engage in e-commerce of online digital images, internet based education solution and service and enterprise software application
Youli Yimei (Beijing) Information Technology Co., Ltd. ⁽²⁾	Sale and distribution of online editorial images and creative images; development and sales of media imagery resources management software
Bailian Youli Information Technology Co., Ltd. ⁽³⁾	Provide enterprise resource planning solutions for consumer industry
RAY Holdings ⁽⁴⁾	Investment holding company that invests in the service business in the financial sector
Beijing Aproud Innovative Technology Co., Ltd. ⁽⁵⁾	Inactive

Notes:

- (1) Bailian Youli is owned as to 25% by Liao Daoxun (Controlling Shareholder), as to 24% by Wu Yurui (Controlling Shareholder), as to 22% by Jiang Hailin (executive Director and Controlling Shareholder), as to 12% by Wu Chunhong (Controlling Shareholder), as to 12% by Liang Shiping (Controlling Shareholder) and as to 5% by Yuan Chuang (Controlling Shareholder).
- (2) Youli Yimei (Beijing) Information Technology Co., Ltd. is owned as to 70% by Bailian Youli, as to 17.9231% by Chai Jijun (independent third party), as to 7.4615% by Chen Zhihua (independent third party), as to 3.0769% by Li Xueling (independent third party), and as to 1.5385% by Gao Wei (independent third party).
- (3) Bailian Youli Information Technology Co., Ltd. is owned as to 60% by Bailian Youli, as to 14.5% by Yuan Chuang (Controlling Shareholder), as to 8.4% by Xue Wenjian (independent third party), as to 7.2% by Qin Binghui (independent third party), as to 3.9% by Lin Hong (independent third party) and as to 6% by Wei Dongbiao (independent third party).
- (4) RAY Holdings is owned as to 58.9% by Wang Jing (executive Director and Controlling Shareholder), as to 11.7% by Zheng Hui (Controlling Shareholder), as to 11.7% by Guan Xiong (Controlling Shareholder), as to 11.7% by Zhang Qian (Controlling Shareholder) and as to 6.0% by Wang Li (Controlling Shareholder). Subsequent to the disposal of its interest in RHY Technology on August 7, 2006, it no longer invests in the ITS industry.
- (5) Beijing Aproud Innovative Technology Co., Ltd. is owned as to 49.5% by Dang Kulun (Controlling Shareholder), as to 30.5% by Pan Jianguo (executive Director and Controlling Shareholder) and as to 20% by Jing Yang (Controlling Shareholder). Subsequent to the disposal of its interest in Aproud Technology on August 16, 2006, it no longer engages in any business activity. As of the Latest Practicable Date, there was no plan to engage in any business activities in the immediate future.

Notwithstanding that certain of our Directors are also interested in businesses other than our own, none of the other businesses that they are interested in are in competition with our business in any respect.

Independence from Our Controlling Shareholders

All of our Controlling Shareholders which are corporate entities, namely China ITS Co., Ltd., Best Partners, Joy Bright, Huaxin Investments, Gouver Investments Limited and Rockyjng Investment Limited, are investment holding companies which do not engage in any business other than their investments in our Group. We are principally engaged in provision of transportation infrastructure technology solutions and services in China. None of our 16 individual Controlling Shareholders and their respective associates has any interests in any business (other than our Group) that relates to the business of our Group or competes or is likely to compete with our business.

We believe that our Group is capable of carrying on its business independent of our Controlling Shareholders after Listing for the following reasons:

- management and investment decisions are made by our Board of Directors in a collective manner, and each of our Directors is aware of his fiduciary duties as a Director, which require, among others, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;

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- our Directors operate in accordance with our Articles of Association which require the interested Director to abstain from voting in the event of conflicts;
- we do not rely on our Controlling Shareholders to access customers, suppliers and production facilities;
- we have sufficient capital and banking facilities to operate our business independently and as at the Latest Practicable Date, we do not have any outstanding loans owed to, and no outstanding guarantees from, the Controlling Shareholders;
- there does not exist any continuing connected transaction between our Controlling Shareholders and our Group which will be subject to the reporting, announcement and independent shareholders' approval requirement under the Listing Rules upon Listing;
- our Controlling Shareholders has no interest in any company which competes with or is likely to compete with the business of our Group; and
- our Controlling Shareholders, which are corporate entities, are investment holding companies and do not carry on any business other than holding the equity interests in our Company.

Non-Compete Undertaking

In order to avoid potential conflicts of interests between our Controlling Shareholders and our Group, we entered into non-compete agreements with China ITS Co., Ltd., Best Partners, Joy Bright, Tesco Investments Limited, Fino Investments Limited, Wang Jing, Liao Daoxun, Wu Yurui, Liang Shiping, Jiang Hailin, Wu Chunhong, Yuan Chuang, Zhao Lisen, Lv Xilin, Guan Xiong, Wang Li, Zheng Hui, Zhang Qian, Dang Kulun, Huaxin Investments, Pan Jianguo, Gouver Investments Limited (formerly known as Joy Bright Jianguo Limited), Jing Yang, Rockyjing Investment Limited (formerly known as Joy Bright Jingyang Limited) and Binks Investments Limited (each a "Covenantor" and collectively, the "Covenantors") on June 18, 2010 (the "Non-Compete Agreement"). Under the Non-Compete Agreement, each Covenantor agreed not to compete with us in our businesses. Each of the Covenantors has undertaken in the Non-Compete Agreements that during the Non-Compete Period (as defined below), neither it nor any company in which it is a controlling shareholder (the "Affiliates") will compete with us, directly or indirectly, whether on its own or jointly with another entity by participating, in or providing any support to, any activities or businesses which directly or indirectly compete with our businesses in the PRC.

The Non-Compete Agreement will take effect upon the listing of our Shares on the Stock Exchange and the fulfillment of the preconditions under the underwriting agreement which has not been terminated. With respect to any Covenantor, the "Non-Compete Period" will end with respect to such Covenantor on the earlier of (a) the twelve (12) month anniversary of the day on which such Covenantor, directly or indirectly, through any subsidiary or Affiliate or otherwise, no longer holds any of the Company's share capital; (b) the twelve (12) month anniversary of the day on which the total number of Shares held by all Covenantors, in the aggregate, directly or indirectly through any subsidiary, Affiliate or otherwise, no longer constitute at least thirty percent (30%) of the outstanding share capital of the Company; and (c) the date on which our Shares cease to be listed on the Stock Exchange.

The Non-Compete Agreement also include the following provisions:

- our independent non-executive Directors will review, at least on an annual basis, the compliance with the Non-Compete Agreement by the Covenantors;
- each of the Covenantors has undertaken to the Company that he/it will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Non-Compete Agreements;
- the Company will disclose the review by the independent non-executive Directors on the compliance with and enforcement of the Non-Compete Agreement in the annual report of the Company or by way of announcement to the public in compliance with the requirements of the Listing Rules; and
- each of the Covenantors will make an annual declaration in the annual report of the Company on the compliance with the Non-Compete Agreement in accordance with the principle of voluntary disclosure in the corporate governance report.